Tom DeLay's mini-mes

Washington MONTHLY

The Unquiet American

U.S.-Iraq policy and the murder of a whistle-blowing contractor.

by Aram Roston

une 2005, $4.50

- Crises solved in this issue: Health care costs; Inadequate troop armor; Slow economic growth
- Crisis deemed unsolvable: Oil shortages

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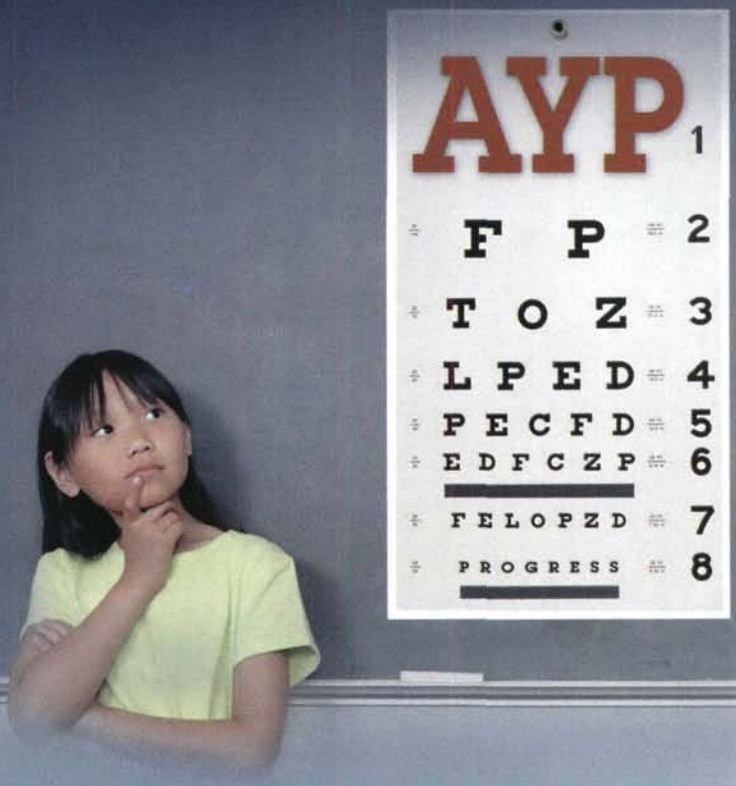
It's clear to see. Three letters are making a shambles of the *No Child Left Behind* law.



Adequate Yearly Progress (AYP) is supposed to gauge a school's effectiveness. Yet many schools are incorrectly labeled failures when they're actually making real academic progress. Teachers and other school staff work hard every day to help students achieve high standards. But AYP and other provisions of the *No Child Left Behind* (NCLB) law are seriously flawed and hinder efforts to reach that goal.

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Washington MONTHLY

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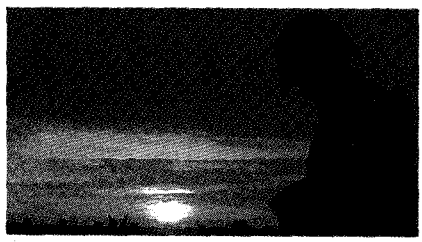

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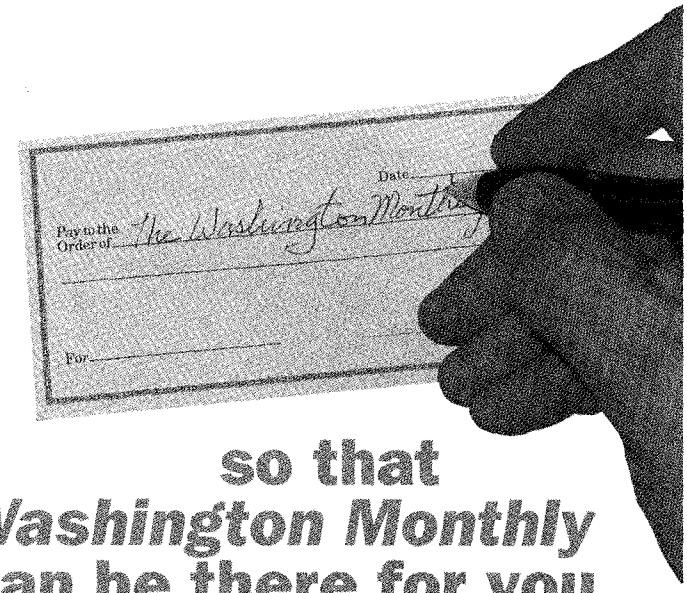

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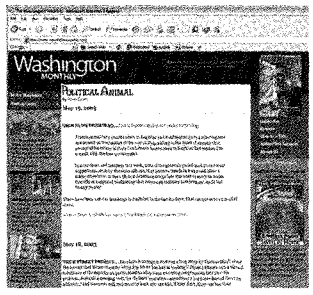

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Letters

Fatale silence

In "Silent Femmes" (April), Amy Sullivan never suggested simply tossing out the "boys' rules" and developing some new ones. We're not asking for "girls' rules"; we just want them a bit more androgynous. I realize the boys at the top are never going to create a structure that lacks a sports or war motif, which is why we've got to get a few more girls promoted. Maybe if half the people making the decisions were women—not just a token one or two—and therefore had shared the painful experience of shouting their way into recognition, they'd have both the inclination and clout to turn down the volume of those editorial meetings and transform them into an environment where smart, clear, concise, but quieter voices could be heard.

Marjorie A. Stockford
Portland, Maine

Earlier today, I consulted a writer friend about how to package a pitch to our local newspaper. She said, "Oh! I've had this column I've been meaning to send you," and it was "Silent Femmes."

I just finished reading—and highlighting—your fabulous piece. The second-grader scenario nearly made me cry since I happen to have a daughter in second grade who is experiencing precisely what you describe, much as I did (remember those "check minuses" you could get for citizenship?). I have to believe that your piece, Dowd's from a couple of months ago, and of course the incident at the *Los Angeles Times* have had an effect.

Jill Miller Zimon
Cleveland, Ohio

Power failure?

Michael Hirsh opens his critique of Anatol Lieven's argument ("Bloody Necessary," April) with a favorable description of American power as providing "control rods" in global affairs. The metaphor is apt, mostly because you don't really need control rods unless you're also in the business of creating nuclear reactions.

Hirsh seems to ignore the fact that American power has also been a destabilizing force, whether arming both sides of the Iran/Iraq conflict, sitting idly by while Saddam gassed the Kurds or planned his Kuwaiti invasion, or showing up on the wrong side of any number of Central and South American conflicts. Hirsh's hopeful prose regarding the future of Iraq also makes it seem like only Americans have borne the burden of bringing "democracy" to that country, never mentioning that the killing of innocent civilians doesn't endear a people to the kind of deliverance America is delivering and doesn't ensure long-range stability.

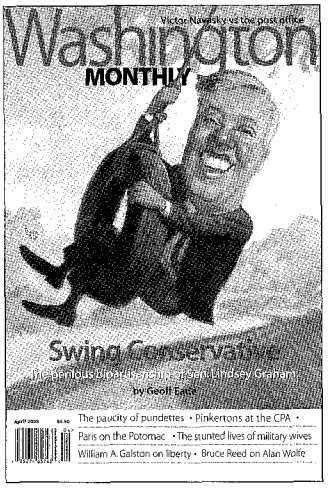
Jeff Hagan
Cleveland, Ohio

The big flaw in Hirsh's article is that it only takes into account the views of Europeans and Americans. As you say, "Europeans won't admit it," but the problem is that Hirsh is ignoring the terrible effects of American messianism in places like Latin America. A great percentage of Latin Americans actually believe that American foreign policy (with its echoes of the Monroe Doctrine across the continent) has been an extremely negative force for the establishment of their own democracies. Hirsh's article only highlights the ethnocentric view of many Americans, who seem to believe that only their opinions or those of their predominantly white counterparts in Europe matter. If he really wants to make a case for American messianism, he should include its effects also in places like Chile, Nicaragua, and Guatemala. I'm pretty sure an honest view of those events will render U.S. foreign policy in a much less benign light.

José del Solar
New York, N.Y.

I am most grateful for Michael Hirsh's long, intelligent, and thoughtful review of my book, *America Right or Wrong*. However, on a number of points Mr. Hirsh's presentation of my views is not entirely accurate.

In the first place, far from denying the value of America in the world and in history, I refer repeatedly to America's past achievements and stress that it is respect for American values and the American system that allows the possibility of American hegemony by consent. I also agree with Hirsh that the extreme



April 2005

"Maybe if half the people making the decisions were women, they'd have both the inclination and clout to turn down the volume of those editorial meetings and transform them into an environment where smart, clear, concise, but quieter voices could be heard."
—Marjorie Stockford

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tendencies that we have seen in the United States since 9/11 may prove quite short-lived. However, given the dreadful threat of more terrorist attacks, it would surely be irresponsible not to point out that there may also be elements in the future pushing the U.S. population in the opposite direction.

It is true that I criticize the messianic streak in the American tradition; but far from being a European argument directed against America as a whole, my book explicitly reflects an old American debate on the question of how and how far America should seek to spread its values in the world by action, rather than by the force of its example. The classical sources which I quote at length in support of my criticisms of the "messianic" position are not Europeans, but Americans like Reinhold Niebuhr, William Fulbright, and George Kennan. A central reason for writing my book was to remind Americans of this American critical tradition in the new context of the war on terror and the occupation of Iraq.

In this context, it is simply wrong to argue, as Hirsh writes, that I am quibbling over words when I write that America did not "build nations" in Germany and Japan. There is a vitally important difference between establishing (or rather reestablishing) democracy in highly-developed, self-aware, and united nations, as in these cases, and having to build democracy and the nation at one and the same time, as in Iraq.

Anatol Lieven
Washington, D.C.

Military family

Dec. 8, 1941, found my career navy man father on board his ship in Manila Bay as the Japanese bombed the Cavite shipyard and ships in the bay ("Home Alone" by Clara Bingham, April). He had been overseas since the summer of 1941. We would not see him until 1943, when he showed up at our Navy quarters in San Diego. Curiously, war's end found him in Subic Bay, less than 100 miles from Manila. Unlike today's military wives and dependents, we seldom knew where my father was or when he might be home. His letters were our only link to him, and sometimes months went by before my mother received any. Like her counterparts in today's military, loneliness was an awful fact of day-to-day life.

Despite many hardships, however, my mother loved being a Navy wife. Married in 1934, she developed close friendships with other Navy wives that lasted until her death in 2003. She never complained about the Navy or the sacrifices she had to make. A few years before my father died in 1993, I asked him to write down his World II experiences. He did so with enthusiasm and determination. I never thought to ask my mother about her experiences except once when, almost as an afterthought, I asked what the war was like for her. She simply replied, "It was one long nightmare." She said no more. For my father, the war was the Great Adventure; for her it was something else. There were millions like her.

Daniel Connell
Murrieta, Calif.

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Tilting at **Windmills**

by **Charles Peters**

And a posthumous economic Nobel for Herbert Hoover

A Defense Department press release informed us that Donald Rumsfeld would attend the honors review and ceremony for Paul Wolfowitz upon the latter's departure from the Pentagon. This reminded me of Rumsfeld's failure to attend a similar ceremony, the one for Gen. Eric Shinseki. Then, Rumsfeld refused to honor the man who correctly warned of the need for more troops in post-war Iraq. Now, he honors the man who ridiculed that warning.

What John Bolton got right

I do not admire John Bolton's bullying of his subordinates at the State Department. I do, however, applaud one demand he makes of them. He requires that they—and he—stand during meetings. For me, the most maddening aspect of my service in the government was long meetings, meetings that, I must say, seemed to last even longer if anyone from the State Department was involved. I am certain that the act of sitting down in a comfortable chair set their mental timers not to go off for at least one hour. When the meeting involved an actual or even a perceived threat to bureaucratic turf, the timers automatically reset for at least two hours. You could count on hearing an endless stream of "as it weres" and "if I mays."

When is a railroad like a punching bag?

I like Bob Schieffer and think he's doing a fine job as anchor of the "CBS Evening News." But one recent "Evening News" report on Amtrak troubled me. It used a quote from Sen. Byron Dorgan (D-N.D.) to attack Amtrak that actually had been intended to defend it. The quote was, "What a terrible way to run a railroad." He wasn't talking about Amtrak's management, as CBS clearly implied, but about the way Congress and successive administrations have mishandled the agency. Amtrak's management has made mistakes—lots of them with Acela—but the agency's main problem has been the product of congressional and presidential decisions. Amtrak is a victim of underfunding, rarely having enough money even for basic upgrades like track improvement, and of the insane expectation that it make a profit even though no other national rail system does.

But I saw Marg Helgenberger do that

The fellows at *U.S. News and World Report* should read the *Monthly* more carefully. Their cover story for the April 25 issue was "The CSI Effect," and how it is leading juries to expect scientific evidence that is not available to most prosecutors. The same point was made here, quoting a Baltimore prosecutor, more than a year ago.

Justice belied

A book you must read is *Courtroom 302* by Steve Bogira. It captures the reality of criminal justice better than anything I've read, making clear that the system is run for the convenience of those who manage it—judges, prosecutors, defense counsel, and court clerks. One example is that judges are reluctant to let defendants out on bond because it's easier for court personnel to return them to jail than to do the paperwork required by bonds. Another is that defendants plead guilty not because they are guilty, but because overworked public defenders pressure them to plead, and judges, anxious to keep things moving—and in some cases, to meet "cases disposed of" quotas—do not expend excessive effort questioning the legitimacy of the pleas.

They did indict a ham sandwich

I had known about the tendency of grand juries to follow the dictates of prosecutors instead of concerning themselves, as they are supposed to do, with protecting the unjustly accused. Still, I was stunned by a statistic presented by Bogira: From 2000 through 2003, Cook County grand juries "approved 1,706 indictments for every indictment they rejected."

Tax the rich

More than 30 years ago, this magazine began to advocate means-testing for Social Security. It has always seemed foolish to us to waste money on people who don't need it. So I think it's important for liberals to reach out to George Bush in response to his means-testing proposal. It may be cynical, but let's act on the assumption that it's sincere.

Bush wants to set the income level at which Social Security payments will be reduced, to around $20,000. I would make it in the neighborhood of $70,000, because

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many middle-class families now count on Social Security as part of their retirement plan. To make up the difference, I continue to recommend making the Social Security tax applicable to incomes above the present limit of $90,000. I notice that Bush left this option open. He only ruled out raising the rates, the percentage of income that can be taxed. I not only agree with him on that, but, if anything, I would also support lowering the rates for lower-income people.

Starting over

On a recent Jim Lehrer show, Lindsay Moran, a former CIA agent, seconded a point made here last month, saying that "the most mediocre people would rise to the top... the best would end up leaving." She and another agency alum, Melissa Boyle Mahle, who also appeared on the show, recommended starting over or at least creating a new agency within the CIA that would start afresh, and doing things right, with real spies rather than a bunch of bureaucrats sitting in U.S. embassies, and with rewards for "risk taking... really getting down deep into a society and learning how it works."

The case for new agencies

Franklin Roosevelt was a great believer in starting new agencies to get a job done. They don't have to defend old mistakes. They can hire the best people instead of having to retain the old employees, too many of whom are short on talent or set in the wrong ways. Consider the incredible accomplishments of the Civilian Conservation Corps and the Works Progress Administration in putting millions of the unemployed to work during the Depression. During the war, many new agencies functioned well. What has always amazed me most is the Office of Price Administration, which managed to hold prices down in the face of incredible inflationary pressures generated by shortages not just of gasoline but of almost everything.

"I do not admire John Bolton's bullying of his subordinates at the State Department. I do, however, applaud one demand he makes of them. He requires that they—and he—stand during meetings."

I was a part of a new agency, the Peace Corps, in 1961, and know how exciting it can be to be involved with a whole bunch of people, almost all of whom have the right stuff. This doesn't mean that you ignore the value of experience. But it does mean you're free to pick off the best of the experienced people from other agencies and mix them in with bright young people capable of learning fast and motivated to give the job their best.

I could give you my number, but then I'd have to kill you

Incidentally, Lindsay Moran's book, *Blowing My Cover: My Life as a CIA Spy*, reveals one human problem for spies. She makes clear that her love life suffered severely during her tenure in the CIA. It is because of human problems like this that CIA employees prefer working in embassies where they can enjoy a rewarding social life but acquire little useful intelligence.

The meritocratic myth

Richard Kahlenberg, whose work has often appeared in these pages, most recently in the last issue, has completed research that shows, according to *U.S. News*, that "low income students with the highest scores are no more likely to go to college than affluent students with the lowest scores." This is another reason why both Kahlenberg and this magazine have long contended that we should have affirmative action not for racial minorities but for people of low income

When Buffett speaks

When Warren Buffett recently predicted to the annual meeting of his stockholders that the dollar would continue to fall, my first thought was cynical: Buffett has a very large sum—$21 billion—invested in foreign currencies. He will make money if his prediction influences what happens.

But then I remembered a public comment that Buffett had made during the 1980s about the future of newspapers. He said that future was not promising. Yet at the time he owned sizable chunks of *The Washington Post* and other papers. His prediction was accurate and definitely not self-serving. So maybe we should heed his new warning that this country's budget and trade deficits could cause foreign investors to sell their dollars, including those now in the form of U.S. stocks and bonds.

CEOs for socialized medicine

"The Ford motor company lowered its earnings forecast for the year on Friday, citing higher gas prices and rising health care costs," reported *The New York Times* on April 9. In May, Standard & Poor's lowered its credit rating for Ford (and General Motors), and news reports cited the rising cost of health care for the company's present and former employ-

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ees as a factor. I remember attending a press breakfast in 1992 and listening to Ford's then-CEO "Red" Poling complain that health costs were killing the company. It was already clear that the ability of American companies to compete in world markets was being hurt by the burden of health-care costs. It seemed that some form of national health insurance, financed by some means other than by employers, was inevitable. Optimism was heightened by Harris Wofford's 1990 victory in the Pennsylvania Senate race in which he advocated a national health-care plan.

But, of course, it all came to naught. Hillary Clinton's plan failed. Employers that do not have strong unions like Ford does have been jettisoning health insurance or reducing coverage and benefits. Medicare and Medicaid are in deep trouble. Yet we are stuck with a bunch of doctrinaire Republicans and cowardly Democrats who refuse to consider broad reform. Is it not possible that a fire could be lit under these fellows if the big corporations, instead of moaning about health care costs, used their not-inconsiderable muscle to push for the reform that is needed?

Even Barney has his own cabin

When I have devoted any thought, and I have not devoted very much, to imagining what Camp David is like, I have pictured maybe four or five cabins: maybe one for the president, one or two for guests, another for the Secret Service, and perhaps one for some kind of dining facility. Well, I just didn't consider the consequences of the imperialization of the presidency. According to *U.S. News*, there are 30 buildings at Camp David.

A few more terrorist scares and we'll get the hang of it

Have we learned anything from the anthrax scare that followed 9/11? We had a mini-scare here in Washington recently that led to antibiotics being given to 900 defense workers. That, it turns out, was a mistake. And it wasn't the only problem. According to the findings of the House Government Reform Subcommittee, reported by Spencer S. Hsu of *The Washington Post*, "the federal and local responses" were "marred by an inability to determine the facts, swiftly communicate the risks to the public, and decide who was in charge." Doesn't that sound precisely like what happened in 2001?

The good evangelist

My son, who lives in heavily evangelical territory, recently wrote me about the importance of distinguishing between the two most important leaders of the movement, Rick Warren and James Dobson. Both are conservative, but Warren at least has common ground with liberal Christians. He avoids vitriolic partisan attacks. He believes in placing, to quote my son, "less emphasis on talking about the gospel and more on demonstrating it by combating world hunger, pollution and disease." Dobson on the other hand is "aggressively conservative and partisan, and vocal in his opposition to the teaching of evolution, 'secular humanism,' and judicial activism."

The problem is that the Dobson faction is well-heeled, able to flood evangelical churches with materials reflecting his views. Wouldn't it be wise for affluent liberals to help Warren rather than contribute to organizations that make snotty attacks on evangelicals?

The Washington Monthly's

Monthly Journalism Award

Joseph Tanfani, Tom Infield, Carrie Budoff & Edward Colimore

"How U.S. failed GIs"

Philadelphia Inquirer, April 10, 2005

Two years after the United States first invaded Iraq and promised to amp up American industrial production to provide enough armor for troops on patrol, a team from the *Philadelphia Inquirer* took a look at a critical question: Why was it that our troops still had insufficient protection? Though all military vehicles in Iraq now finally have some sort of protection, a third are armored only with "crudely cut sheets of steel, inadequate by the Army's own standards." The *Inquirer* found that, although the Pentagon has blamed the failure on "everything from steel shortages to America's industrial decline," the shortage has far more to do with the military's own bumbled planning.

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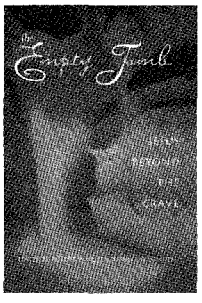

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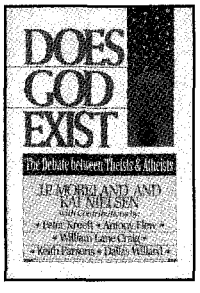

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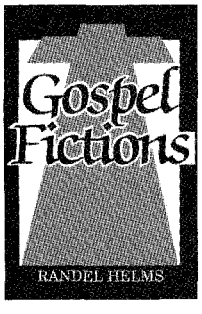

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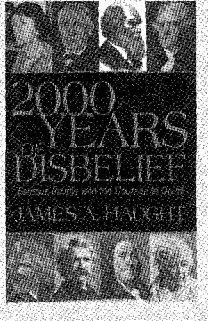

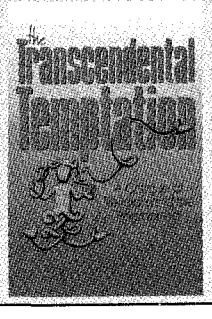

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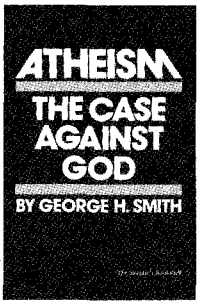

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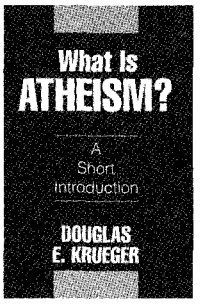

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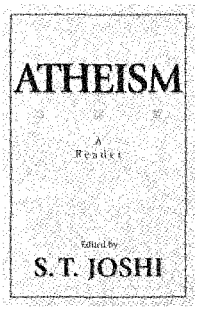

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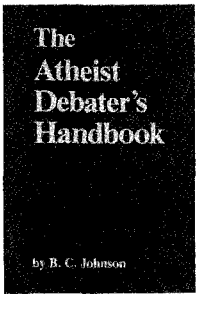

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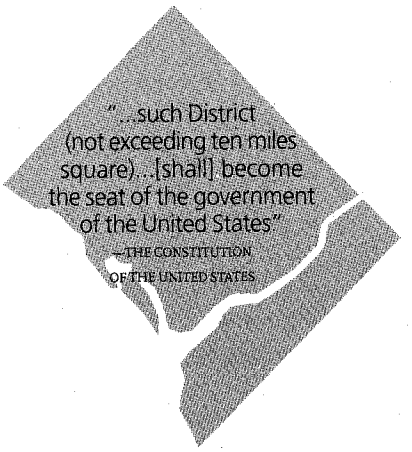

The Invention Militia

Amateur engineers are asking what they can do for the Pentagon.

By Spencer Ackerman

On a recent, chilly day in upstate New York, I found myself riding shotgun in a black Chevy Trailblazer with a small arsenal of assault weapons in the trunk. The driver, Dave Warren, a 39-year-old Vietnamese-born ex-Marine and veteran of Desert Storm, was a man on a mission. An inventor and an engineer for a Connecticut security company, Warren had devised a lightweight vehicle armor he thinks will better protect Humvees from Iraqi insurgents armed with Kalashnikovs and homemade bombs than the steel currently used to belatedly up-armor the vehicles. He's currently lobbying to have it reviewed by the Pentagon.

After we parked at a Saugerties firing range, Warren unpacked his M-14, 12-gauge shotgun, and AK-47—the insurgent assault rifle of choice—then hauled out the experimental armor, which he calls Magmacore. It was a two-inch thick panel about a foot in length and width. Despite weighing 18 pounds or so, it didn't look too sturdy. Its white coating was slathered on, giving it the appearance of runny plaster; while not gummy, the panel flexed ever so slightly when squeezed. Imagine a giant, sugar-glazed Rice Krispies Treat. Not exactly what you imagine

you'd want standing between your flank and an armed terrorist.

Warren walked out 15 yards onto the still-snow-covered range and mounted his panel onto a stand a few feet high, then slid a thin sheet of aluminum behind it. "We're going to take this thing to failure," he said. I imagined it wouldn't be long before the aluminum was gnarled and fragmented beyond recognition.

It didn't happen. Over the next hour, Warren unloaded magazine after magazine from his AK-47. First, he fired directly from 15 yards, drilling the panel with 20 rounds, then another 20, all in practically the same spot. Then he emptied another clip a little to the left. Next, he fired off another 20 bullets while walking within 5 yards of the panel. He put down his AK-47, grabbed his M-14, and fired off another 10 rounds. Finally, he lofted the shotgun and discharged a last volley of punishment into the panel.

All told, the Magmacore withstood 135 rounds of bullets varying in shape, size, and velocity, all right on top of each other. (The steel currently protecting Humvees in Iraq will take about a dozen rounds in the same spot before giving way.) Though every shot had pierced the panel's exterior, not a single bullet had come out the other side. The only visible evidence that the panel took significant fire was a constellation of pinprick holes and some minor tearing in its outer layer. Warren joked, "I'm kind of disappointed."

As I puzzled how the aluminum sheet behind the panel could emerge as smooth as the day it was forged, Warren explained how Magmacore worked. He said he had avoided the conventional approach to strengthening armor—increasing the density of a material—and instead reexamined what he called "the physics of what's happening." By design, a bullet

Art by Peter Kuper

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easily penetrates his armor's outer layer only to smack into a denser core where intense friction converts the bullet's momentum into heat so extreme that its full metal jacket melts off, reducing the round to molten lead inside the armor panel. "We're using the energy of the round against itself," Warren explained, before pointing out two other benefits of his design. First, there's no danger of a bullet ricocheting off the armor and back onto the battlefield, or of it fragmenting the panel into potentially lethal shrapnel, an ever present danger with steel and other armor materials. Second, his armor is light enough to allow wheeled vehicles like Humvees to remain highly mobile (which is what the "Hum" in Humvee means): He calculates that his 18-pound sample of Magmacore would provide protection comparable to that of 45 pounds of steel, relieving much of the burden on the Humvee's engine, transmission, and suspension.

While Warren can subject his armor panel to small-arms fire at a range like this one—consider that a happy consequence of the expiration of the assault weapons ban—only an Army facility such as the Aberdeen Proving Ground in Maryland can evaluate its capacity to withstand a full range of threats, including simulated blasts from explosive devices like those used by insurgents in Iraq. To that end, in March, Warren paid a visit to Capitol Hill and met with staffers for Rep. Duncan Hunter (R-Calif.), chair of the House Armed Services Committee, as well as aides to his home-state senators Hillary Clinton (D-N.Y.) and Chuck Schumer (D-N.Y.), who helped him get Magmacore on the road to testing at Aberdeen, which is on track to happen by the time this article is printed.

Warren isn't the only private-sector inventor to knock unsolicited on the Pentagon's door since the fall of Baghdad. The well-known vulnerability of U.S. troops to insurgent attacks has spurred a boom in rethinking armor design, and hundreds of submissions for research, testing, and development have poured into the Defense Department. According to Col. John Rooney, who heads armor testing at Aberdeen, since October 2003, the Army has evaluated over 300 new armor designs. Tom Madison, director of research and development for First Choice Armor in Massachusetts, for example, shares Warren's skepticism of steel. "We're working on a composite to achieve the same protection levels, but with less weight [than] steel," says Madison, whose design is also slated to be tested soon at Aberdeen.

Madison's company, like many of those who've submitted designs to Aberdeen, has already worked on several products for the military. Warren, by contrast, is a total novice: His foray into armor design came entirely from his disgust at how vulnerable U.S. troops in Iraq are, which he gleaned from watching the news and reading the papers. And if his design survives the abuse at Aberdeen, it wouldn't be the first time that an outside entrepreneur has crafted a critical invention to fit the needs of a particular war. During WWII, a bourbon-swilling Nebraska native named Andrew Jackson Higgins adapted his design for a swift workboat made to navigate shallow Louisiana swamps into the landing crafts made possible the victories at D-Day and Iwo Jima. "A lot of [military technological advances] early on came from civilians and civilian industry," notes Andrew Krepinevich, executive director of the Center on Strategic and Budgetary Assessments, a leading defense-futurist think tank. But such innovations by outsiders have become rarer in recent years because, as Krepinevich explains, "now the military and industry are embedded with each other in ways that would have been unheard of" in past wars.

But with Iraq still an open-ended U.S. commitment, the need for better ballistic and blast protection isn't going away. Perhaps blanket news coverage of the conflict, which both arouses the concerns of crafty armchair patriots and allows them to pinpoint some of the crucial needs of the ground forces in Iraq, will spur more would-be Higginses to the challenge.

Spencer Ackerman is an associate editor at *The New Republic*.

JARGON WATCH:
Harry Potter Syndrome

*"I wish I could just wave a **magic wand** and lower the price at the pump. I would do that. That's not how it works."*
—George W. Bush, 5/16/05

*"The president would like to lower gasoline prices in the United States, and if he had a **magic wand** that he could wave and lower gasoline prices, he would be waving that wand."*
—Andrew Card, 5/1/05

*"Saudis cannot wave a **magic wand** and say, we're gonna solve all your problems."—Roger Diwan, managing director of PFC Energy, 4/25/05*

*"Last year too many people were denied their right to vote, too many who tried to vote were intimidated. There is no **magic wand**. No one person is going to stand up and suddenly say it's going to change tomorrow. You have to do that."—John Kerry, 4/10/05*

*"I don't have a **magic wand**. But I was elected on the basis of my positions and views. That's the weapon that I hold in my hand and that's where the authority that I have derives from."*
—Mahmoud Abbas, 2/21/05

*"If Kent [Conrad] and I were to get in a room quietly and we had a **magic wand** we could fix [Social Security] in about three or four hours."*
—Senator Judd Gregg (R-NH), 2/13/05

*"Karl Rove has emerged as some golden boy of American politics with a feel that everybody now admires and respects. He's just the man with the **magic wand**."*
—Mort Zuckerman, 11/4/04

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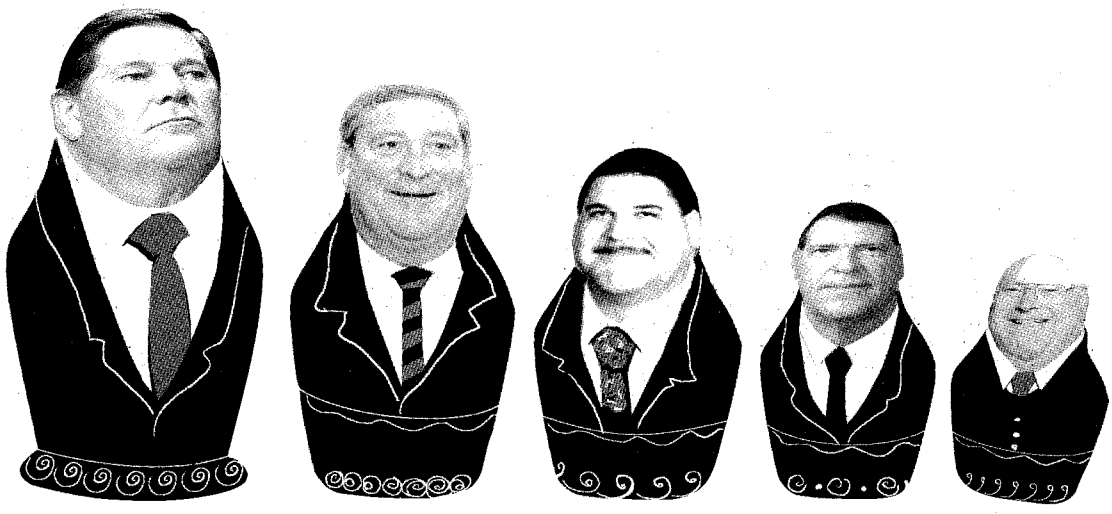
Little Tom DeLays Waiting to Get Out

The great Washington scandals of the past were gifts that kept on giving. Think Watergate, and how each new revelation led to discoveries of deeper and more systemic corruption. Today's Capitol muckrakers are beginning to think that Tom DeLay's troubles will provide a similar mother lode. After all, the lucrative political machine that DeLay formed with K Street lobbyists included more than a few eager Republicans. Crack Tom DeLay, the thinking goes, and out they will tumble.

—The Editors



Tom DeLay (R-Texas)
Currently under investigation for accepting gifts and paid vacations from lobbyists and foreign interests, as well as engineering a political money-laundering scheme in which corporate contributions were illegally funneled to Texas Republican candidates. Received three separate admonishments from the House Ethics Committee for bribing a House Republican for a vote, using Homeland Security resources to track the movement of Texas House Democrats during a redistricting battle, and encouraging a Kansas energy company to believe that a donation to his PAC would get it "a seat at the table" where the energy bill would be written.

Bob Ney (R-Ohio)
Currently under investigation for accepting campaign contributions and paid vacations in exchange for sponsoring an amendment that would reopen the Tigua Indian's Speaking Rock Casino. Accused of accepting a paid vacation to a London casino from a felon who sought the congressman's help in brokering sales of airplanes to Middle Eastern countries. During his visit, Ney is said to have won $34,000 off of an initial bet of $100.

Richard Pombo (R-Calif.)
Lobbied the Department of Interior to suspend environmental guidelines opposed by windpower interests without revealing his family's involvement in the industry. Used federal resources for political purposes, including abusing franking privileges and enabling his staff to take taxpayer-funded leave in order to campaign for Republican candidates.

Charles Taylor (R-N.C.)
Purchased a Russian bank, co-sponsored legislation to fund housing mortgages in Russia. Serves as chairman for a North Carolina bank involved in a money-laundering scheme by two close friends, including his former campaign chairman.

Don Sherwood (R-Pa.)
Accused of attempting to strangle his 29-year-old Peruvian mistress during the course of a "massage."

Art by Christina Larson

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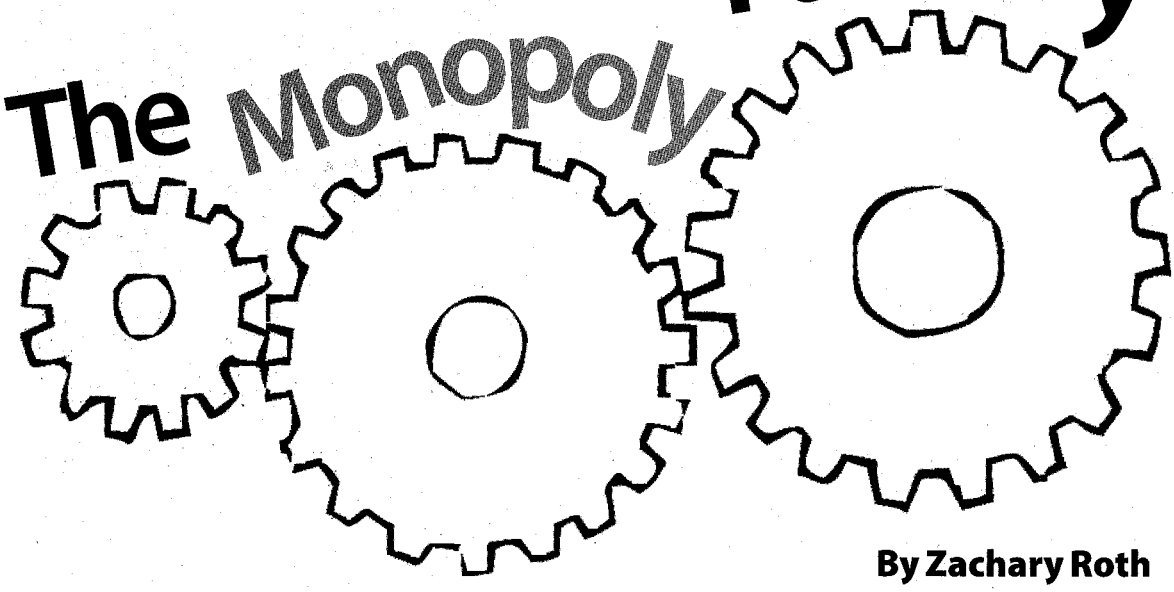
Want to fix the economy?
Start by fixing the Patent Office.

The Monopoly Factory



By Zachary Roth

In 1993, Purdue Pharmaceuticals of Stamford, Conn. applied for the first in a series of patents on a drug it called Oxycontin—a painkiller to which Rush Limbaugh would later become addicted. The U.S. Patent and Trademark Office (PTO) granted those patents based on the manufacturer's contention that the drug contained a novel innovation: It had been engineered so that only a very small dose—between 10 and 40 milligrams—was required for the drug to be effective for 90 percent of patients. On the strength of those patents, which in essence granted the company a monopoly license, Purdue went on to reap over $1 billion in annual revenue from sales of Oxycontin.

Seven years later, a generic drug maker, Endo Pharmaceuticals, applied to the FDA for permission to sell its own, lower-priced version of Oxycontin. Purdue sued Endo, claiming patent infringement. During the trial, Endo's attorneys argued that Purdue had conducted no clinical studies, and in fact had no evidence whatsoever to support the claim that the drug worked in small doses for 90 percent of patients, an assertion which had been crucial to its patent application. The judge agreed, and invalidated Purdue's patent, allowing Endo to introduce its own version of Oxycontin in January 2004. By law, however, Purdue was allowed to keep the billions of dollars in monopoly profits it had garnered with patents it should never have won.

How did the patent office wind up agreeing to give Purdue the patent in the first place? It simply took Purdue's word for it that the assertions it made about its drug were accurate. As Purdue noted archly in its press release about the court decision, "Purdue never made the claim in the patent application that it had done experiments to establish this property and the patent examiner never asked for such information."

The Oxycontin patent was just one of thousands of instances of lax scrutiny at the patent office in recent years. Paxil and Prozac are two other multibillion dollar drugs that earned monopoly profits for their makers before their patents were struck down. And the office's errors range far beyond the pharmaceutical industry to include everything from software to biotechnology to e-commerce. Greg Aharonian, a Bay-Area patent consultant who sends out an almost-daily email newsletter on every patent-related development under the sun (an item from February was headed, "Kazakhstan Patent Office Runs Out of Paper") highlighted one recently granted patent, which included a "graphical traceroute"—a technology used to map online traffic events to physical locations. As he points out, had examiners simply Googled "graphical tracer-

Zachary Roth is a Washington writer.

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oute," they would have found, under the first entry, an excellent example of the technology, along with a link to an explanatory paper, published by a different team of technologists in November 1999—more than two years before the patent application was filed.

No one knows how many mistaken patents the office issues each year. But the results of one patent office experiment suggest that, in some areas, as many as half of those issued may be faulty. Faulty patents may be doing immense damage to the economy. They not only allow patent-holding firms to gouge consumers with exorbitant prices, but they also inhibit innovation and research, put a drag on economic growth, and may even create an investment bubble. (See sidebar, "The Patent Bubble.")

The cause of the problem is easy to pinpoint. Over the last decade and a half, the patent office has been set up in such a way that it's an easy mark. The system overwhelms many patent examiners, operates under laws and bureaucratic incentives that favor applicants, and can potentially be hoodwinked. A recent Federal Trade Commission report, which laid out these criticisms, concluded that in key industries such as pharmaceuticals, software, biotechnology, and the Internet, the office now "hamper[s] competition that would otherwise stimulate innovation." For some companies, armed only with dubious claims, the patent office has become not something to fear but a patsy, as easy to fool as those elderly couples who send cash to the Nigerian prime minister's wife.

Rent control

Ever since Thomas Jefferson personally reviewed the first patent application (for an improvement in the making of potash—it was granted), the basic method of the patent office has remained essentially unchanged. Examiners receive applications, then search through the available record to determine whether the invention is genuinely unique.

Patents give inventors the right to reap the fruits of their (often costly and speculative) research. It typically takes years of tinkering and development to turn an innovative idea into a money-maker, and many ideas never pan out at all. Understandably, an innovator needs to know that if he invests time and money in a project, competitors won't be able to copy his idea the minute it goes on the market, preventing him from profiting. The patent system ensures the innovator that this won't happen by giving him—if his invention is genuinely novel and useful—a 20-year, government-enforced monopoly. In addition, because the system requires him to disclose the details of his invention when applying for a patent, it encourages the dissemination of technological information that might otherwise be kept a secret.

But it makes little economic sense to award a patent when the animating idea is already in wide distribution. If you were to issue a patent for the nail today, for instance, everyone who wanted to hang a picture or hammer two boards together would have to pay fees to the patent-holder, or else simply abandon all construction. Unjustified patents, then, instead of spurring innovation, simply give patent-holders the right to extract what economists call "rents," raising the cost of doing business and acting as a drag on innovation and economic growth.

The classic example of such "rent-taking" comes from the early automobile industry. In 1879, George Selden, a politically connected amateur inventor and patent lawyer, applied for a patent on a rudimentary car powered by an internal combustion engine. Selden was no genius engineer, and the crude design he submitted to the office simply involved putting a gasoline engine on a chassis to make a moving vehicle—something hundreds of automotive inventors, corporations, and tinkerers across the country were already doing. A car built from Selden's designs couldn't have run for more than five minutes.

But Selden had worked with the patent office many times and had figured out how to take advantage of its weaknesses—at the time historians say, the office in chaos. Selden exploited this institutional confusion by repeatedly modifying his application, so that it covered technological advances made by others after the original filing date; this trick is known as a "submarine" patent and, while somewhat more difficult today, is still sometimes attempted.

Sixteen years after the patent application was first filed, despite overwhelming evidence that Selden's invention was neither unique nor particularly useful, the patent office approved Selden's request. Just before the turn of the century, Selden sold the patent for a hefty price to a group of automakers, who formed the Association of Licensed Automobile Manufacturers in 1903, allowing them to charge a royalty on every car sold. Ownership of the patent also allowed the consortium to deny licenses altogether to rivals whom they feared might be capable of making better, cheaper cars—which is what they did when Henry Ford, who already had a rudimentary factory churning out a few cars each year, applied for a license. Finally, in 1910, after battling the cartel for seven years, Ford took the matter to court. When he won the following year, the patent was invalidated on the grounds that Selden's engine design was not novel and that it contributed nothing of social value. For eight years, Ford had put his money and time into fighting the patent. With those resources now freed, the Ford Motor Company turned to new projects, developing the assembly line in 1913, effectively creating the modern mass-production automobile industry, and (in 1914) quickly doubling the starting worker's salary at the Ford plant to $5 per day—a move which has been credited with helping to create the modern middle

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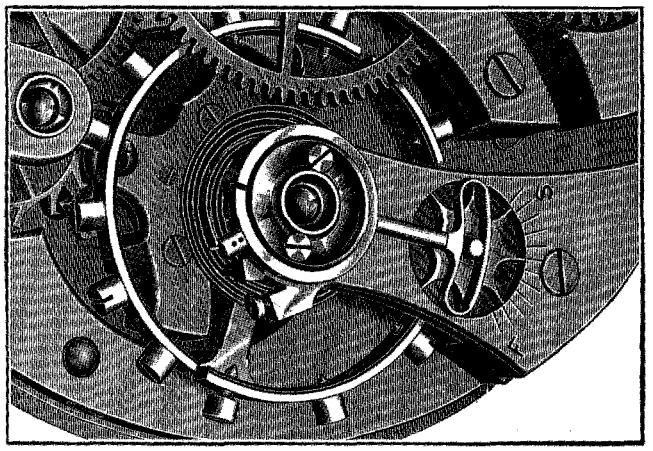
class. Had the patent office not mistakenly given Selden his patent, Ford might have made these critical breakthroughs years earlier.



Until the 1929 stock market crash, the federal government's attitude towards patents had largely favored the rights of patent holders; following the crash, Washington's attitude changed. Policymakers during the Roosevelt administration believed that patents had been issued in too lax a manner and protected the interests of big business at the expense of consumers. From the 1930s through the 1970s, with New Deal and Great Society policies leading the agenda and the prevailing Washington consensus less favorable to big business, the patent office was kept on a tight leash. By the 1970s, the federal government was circulating a list of "Nine No-Nos," which warned patent-holders against the use of a wide range of patent-enforcement strategies.

But the economic shocks of the 1970s and the competitive threat that emerged in the early 1980s from Germany and Japan changed the government's attitude. Economists and business leaders worried that the New Deal patent system was hindering America's ability to compete. Stronger rights for domestic patent holders, they felt, would make it more difficult for foreign companies, particularly those in Japan, to co-opt American inventions and make them on the cheap, as was happening in the electronics and automotive sectors. These economists and CEOs also argued that stronger patent rights would increase the incentives for American companies to experiment and innovate by permitting them to keep more of the rewards. Congress agreed, and, in 1982, it reassigned all patent cases in the country to the D.C. Circuit Court of Appeals, which had proven to be very aggressive in backing patent-holder rights.

Then, in 1991, under pressure to reign in massive budget deficits, lawmakers passed (and President George H.W. Bush signed) a law that revolutionized the way the patent office does business. Borrowing ideas then in vogue among private sector consultants and CEOs to "reengineer" organizations to make them more "customer-driven," Congress instructed the patent office, which had always been funded from government revenues, to now pay its own way through fees charged to applicants, and to make the process of winning a patent easier on them.

In many ways, these changes worked exactly as planned. Partly because patents were easier to get and partly because the 1990s were a period of explosive technological innovation, the agency saw a rush of new business. Patent applications more than doubled from 178,083 in 1991 to 355,418 in 2003. The office became self-financing and flush with cash. Congress was even able to tap its surplus pool of user fees to help pay down the federal deficit. The patent office hired new examiners, and in 2003, moved into fancy new headquarters in a billboard property along the George Washington Parkway near the Pentagon.

"Some might even use the word 'crisis'"

The 1991 decision to make the PTO pay for itself, however, has created a series of perverse incentives that encourage the office to approve undeserving applications, and has made it easier for applicants to game the system.

Because each new application now brings in a $380 fee, the agency has an incentive to approve those patents sending a signal to the market to apply for more. Additionally, patent-holders pay annual maintenance fees for the first 12 years of a patent's life, meaning that each approved patent brings in a total of over $3,000 to the office. So every patent issued means a bigger budget for the patent office, and helps to guarantee that Congress will continue to look kindly on the office. "It's like telling the Treasury Department, go call the Bureau of Engraving and Printing and tell them that they're gonna get paid by how many twenties they print," says David Martin, who runs M-CAM, an intellectual-property consulting firm based in Charlottesville, Va., and has testified frequently before Congress about the patent system.

Dan Ravicher, of the Public Patent Foundation, a non-profit legal organization, agrees. "At the agency level, if you want to increase the number of people applying for a patent you don't want a reputation for being tough on applications," he says. "You want a reputation for being a rubberstamp. And that's pretty much what the patent office is now." The agency denies that management encourages examiners to approve applications. But one examiner told *The Washington Monthly* that he had been told by a manager, "We're not the rejection office ... if you can't figure out what's going on, don't reject it."

Another examiner agrees: "That's where the push is coming [towards allowing more applications], because

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The Patent Bubble

In 2002, Millennium Pharmaceuticals, a medical research company based in Cambridge, Mass., paid $2 billion to acquire rival COR Therapeutics, largely on the strength of COR's sizable patent portfolio.

But Millennium soon found out that COR's patents were so weak as to be unenforceable in court, and bore little relation to Millennium's underlying business. "It turns out that what they bought for $2 billion was nothing," says David Martin. "[Millennium] looked online and got a patent count and said, oh yeah, COR really has patents, and therefore there must be value. Well, did they have enforceable patents? No. Did they have patents that tied to their product lines. No. Did they have patents? Yeah."

Martin runs an intellectual property consulting firm, and teaches at the University of Virginia's business school. For the past few years, he's been sounding the horn about a potentially troubling development in the world of patents: the existence of a patent bubble. Martin argues that with the patent office issuing so many patents that might not stand up under challenge, firms such as Millennium (and the venture capital funds and individual investors who back them) may be badly overestimating the value of patent-holding companies. According to many observers, venture capitalists and other investors often see patents simply as "assets" like any other, failing to understand that many patents will ultimately prove worthless. "Venture capitalists need to be educated about what the value of a patent is," says Dan Ravicher of the Public Patent Foundation.

Martin, Ravicher, and others believe patents are over-valued: Most are used simply to generate revenue through licensing fees, without ever being tested in court – thanks to the high cost of litigation. When patent-holders do use their patents to litigate, they're successful in court only around one-third of the time. So in a system that allowed the true value of patents to be properly determined in court, they'd be worth much less. Inventors who attract capital by showing off their patents are taking advantage of investors' ignorance and misunderstanding.

The bubble could burst, Martin fears, if patent challenges became more frequent, waking up the investment community to the fact that many are worth little, and causing a sudden loss of confidence in patent-holding companies.

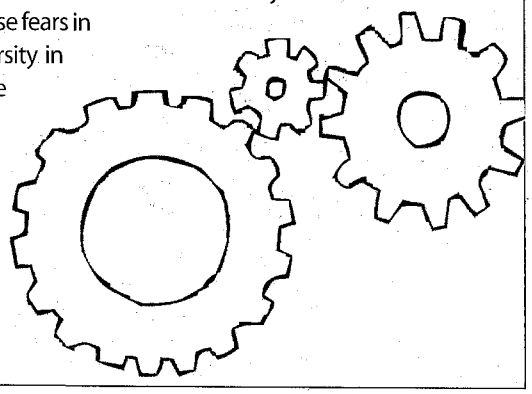
A public initiative to reduce the cost of health care could trigger such a scenario, Martin says. So could a foreign government trying to reduce American market-share. Martin notes that China, among other countries, is beginning to adopt a strategy of challenging key U.S. patents on behalf of Chinese generic drug manufacturers. The Chinese government recently filed a petition to reexamine the patent on Viagra, and is supporting an initiative to reexamine Lipitor, the largest revenue-generating prescription drug on the market. "How many of those does it take before the dam breaks?" he asks. "It becomes a knowledge warfare that no-one's really fully modeled." However it happens, Martin is convinced that the spread of technological expertise around the globe ensures that the bubble will burst sooner or later.

"There's too many players on the world scene who have a vested interest in saying,'...I don't think the US is innovative as they think they are....We're going to start testing those assumptions...by challenging their patents.'"

Martin and a few allies have been lone voices on this issue for a long time, but at least one other prominent economic analyst has also taken note: Alan Greenspan. The chairman of the Federal Reserve touched on these fears in a speech at Stanford University in February 2004 when he asked, "Are [patent] protections so vague that they produce uncertainties that raise risk premiums and the cost of capital?" He didn't answer the question, but, as Martin puts it, "If Greenspan even sneezes about something, it means that it's passed thru a hell of a lot of filters to be mentioned in one of his speeches... If people don't see that as a bit of a harbinger, they're blind."

To be sure, not everyone agrees that we're inevitably headed for a patent bust. Adam Jaffe, a patent expert at Brandeis University, agrees that patents are overvalued. But he says, "If a handful of bogus patents were really invalidated, I don't think it would undermine people's confidence in American technology more generally, because I think people can distinguish between the bogus patents and the real inventions." And Brian Kahin, an expert in technology and intellectual property at the University of Michigan, doubts that venture capitalists give as much credibility to patents as Martin claims.

But if Martin is right, the consequences could be disastrous. If investors lost confidence in the status of patents as reliable assets, it's not just big patent-holding corporations that would take a hit. Using figures from the Standard &Poor, Martin calculates that intellectual property accounts for around $410 billion of market value. Around 50 percent of litigated patents are invalidated or altered by the courts, according to most measures. That means, says Martin, that "somewhere in the neighborhood of 7-10 percent of the total tradable market,"—around $200 billion—"doesn't exist. Not 'is overvalued.' It doesn't exist. So what you're left with is a bubble that is preserved for maintaining a selective ignorance. And that selective ignorance is something that will come back ultimately and haunt the market in some remarkable ways."-Z.R.



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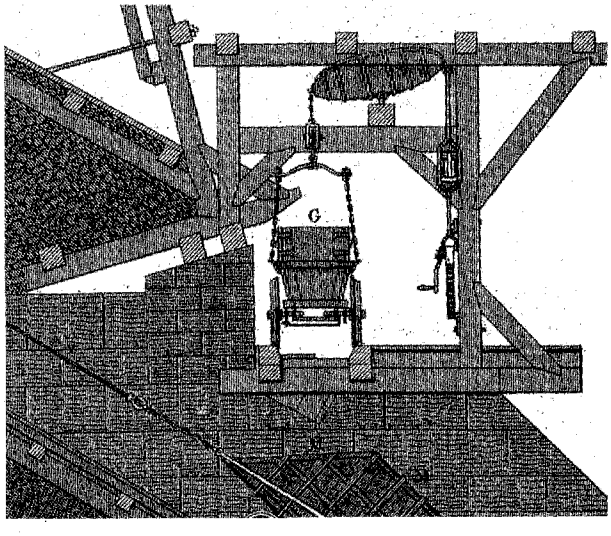
For some companies, armed only with dubious claims, the patent office has become not something to fear but a patsy, as easy to fool as those elderly couples who send cash to the Nigerian prime minister's wife.

allowances bring maintenance fees."

The patent office, operating under these institutional incentives to push more patents out the door, has set up a system that encourages individual examiners to green-light more of the applications that cross their desks. The first of these individual incentives stems from the fact that the examiners are overworked. Even with increased number of examiners, and their relocation to a more comfortable environment, the patent office hasn't been able to come close to keeping pace with the mushrooming number of patent applications. In 1983, the office received 87 applications per examiner. That figure has since risen steadily, and in recent years has generally been over 100.

That increase would be manageable for the office were it not for the fact that, over the same period, applications have become vastly longer and more technically complex, as software and information technology have come to account for an ever-larger proportion. "Whereas in the old days it was extremely rare that you got a case of 100 pages, it's now pretty common. Cases have just gotten bigger," says Ron Stern, a veteran examiner and the head of the patent examiner's union. As then-commissioner James Rogan noted in testimony before a House subcommittee in 2002, "The increasing volume and complexity of our workload poses serious issues for the patent office. Some might even use the word 'crisis.'"

While the weight of the workload gives examiners a passive incentive to rubber-stamp patents, the office's worker evaluation system gives them an active one. The size of an examiner's bonus is determined in part by the number of "counts" he amasses. Examiners gain one or more counts each time they open and close a new case. But when examiners reject patent requests, applicants typically adjust the claim and file a "continuation," denying the examiner a count. So, an examiner concerned about his bonus has a strong incentive to approve the application. "There's a gaming of the system," says Harold Wegner, a former examiner who now works as a patent attorney with the law firm Foley and Lardner. "You can get a stack of applications and just allow patents and get your [counts] that way."



These difficulties are made even worse by a human-resources problem: For all the profit-chasing tendencies of the new patent office, it's still stuck with civil service salaries for its examiners. After four or five years on the job, many examiners still make below $70,000 a year, not enough for the office to compete with intellectual property law firms or corporations who covet the examiners for their inside knowledge of the system and often pay twice as much in salary, patent attorneys say. "We have been the training ground for the private sector," Stern, the union official, adds.

Having been lured away from the patent office, these newly-minted IP consultants and attorneys have the insider knowledge to exploit the weaknesses in the system on behalf of their applicant clients. They know, for instance, that the sheer number of applications and the complexity of the technical topics involved ensure that examiners are unlikely to find every pertinent piece of "prior art"—documents showing the state of innovation in the field, and from which an examiner can determine whether the purported invention is truly novel.

And the law, perversely, helps those applicants who try to sneak through inventions that are not genuinely new. It only requires that they cite the prior art that they are aware of, rather than compel them to make a good faith search. Skilled applicants thus frequently conduct only cursory prior art searches of their own, submitting just a handful of examples, allowing them to make as broad a claim as possible in their application and forcing overworked examiners to search for all relevant technologies themselves. "I can't go through every single journal," admits one current examiner.

Meanwhile, some applicants employ the opposite strategy, dumping reams of prior art—some of it of

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questionable relevance—on the examiner in order to prevent him from finding the pertinent examples that might limit the scope of the claim. "After I did a final rejection...they submitted over 200 patents and 100 foreign documents for me to consider," says the same examiner. "When you've got 100 things, it can sometimes just be overwhelming."

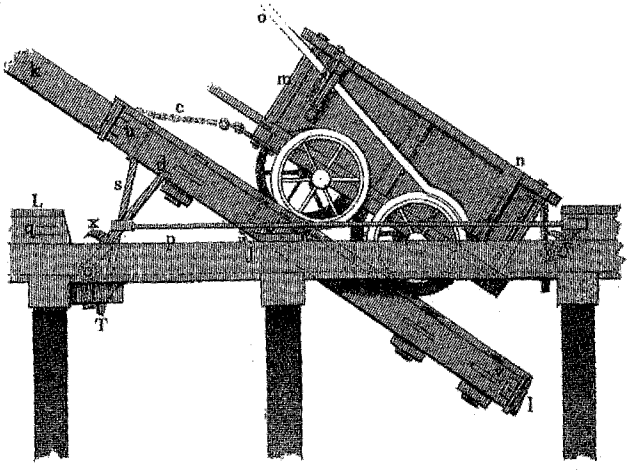
That's particularly true when you consider the amount of time examiners are given to deal with these hundreds of documents. According to the FTC report, each examiner has "from eight to 25 hours to read and understand each application, search for prior art, evaluate patentability, communicate with the applicant, work out necessary revisions, and reach and write up conclusions." Says one former examiner who left the patent office last year, "We were under a lot of pressure to get the patents through the system, so as a result, the quality of examining them goes down. You're not spending as much time as you should because you basically just want to get them through."

A second set of eyes

The result is a system that has approved ever-higher percentages of applications. According to a 2002 study of patent office data by attorneys Cecil Quillen, and Ogden Webster, and Richard Eichmann of Cornerstone Research, the success rate for patent applications rose from 69 percent in 1984 to 86 percent in 2000. In other words, the patent office now grants applications to more than eight out of 10 applicants.

The patent office argues that it is simply carrying out the will of Congress. Brigid Quinn, an agency spokeswoman, says that examiners are required by law to grant applications, unless they can find evidence to reject them. "So the office is doing exactly what the law requires that they do," she says. But in fact, as David Martin, an intellectual property consultant, points out, the law as written only says that an applicant "may obtain" a patent if sufficient evidence can't be found to reject it. It doesn't require that the office grant a patent. When the patent office created its Manual of Patent Examining Procedure (MPEP), an internal document used to establish uniform standards of examination, it wrote, "shall obtain," rather than "may obtain." That change has allowed the office to act in its own self-interest by treating applicants as favorably as possible, while simultaneously claiming that its hands are tied by the law. "That subtle substitution of 'shall' for 'may' is one of the key reasons why we have the problems we have right now," says Martin.

The patent office denies that the quality of its patents has declined. And, in fact, there are no comprehensive measures of patent quality. But an internal agency experiment gives an instructive glimpse. In 2001, the office created a new set of rules for reviewing "business method" patents—a relatively new category



of patentable material, covering non-technical innovations, such as Amazon.com's "one-click" ordering system (the patent protects the idea, not the technology necessary to carry it out). The complexities of these patents were causing problems for many examiners, so the office instituted a "second-set-of-eyes" system, which simply required an additional examiner to review each application. Under the new system, the allowance rate for business method patents was quickly halved. That suggests patents in other complex fields, such as bio-technology, given without a "second set of eyes," may have similarly higher error rates.

The countless faulty patents that are pumped out through this process can be extremely damaging to the American economy. They force consumers to pay more than they otherwise should. They make the patent office an easy mark for those who would manipulate the system—and indeed have given rise to a whole new category of scammers: "patent trolls." (See sidebar.) Some economists think that all the extra patents in corporate portfolios have artificially enhanced the value of those stocks, creating what they call a "patent bubble," with potentially devastating results for many investors. Worst of all for the economy and for society as a whole, a faulty patent system can create substantial obstacles to basic, critical scientific and technical innovation.

Consider, for instance, the area of breast cancer research. In the early 1990s, a group of American and European genetic scientists, who had been working together to identify and sequence the genes whose mutations had been linked to breast cancer, began to believe they were on the verge of a collective breakthrough. By 1990, the group had significantly narrowed down the location of one of the key genes, BRCA1. The consortium reported that it was "very close" to finding BRCA1, with one researcher declaring that "it will probably be luck, whoever finds it."

One member of the consortium, University of Utah geneticist Mark Skolnick, was not inclined to wait on

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Patent Troll Menace

In the late 1990's, Brandon Shalton, a software developer, innovator, and long-time web enthusiast from Austin, Texas, developed a technology that allowed a user to pick up a telephone and record a message of up to five minutes length. Within 30 seconds, the message would be digitized into streaming audio format, so that it could be played back online. Fledgling web companies to whom Shalton pitched the technology were intrigued. But they were hesitant to pay for it, and, when the Internet bubble burst in April 2000, Shalton was forced to give up on the project.

Two years later, Shalton had a chance conversation with a friend who was about to become a nun. "She was aware of my technology," Shalton recounts in his genial Texas twang. "And she said 'hey listen, churches have money—they're not rich but they have a budget—and pastors love to talk...Why not take your technology and apply it to churches? It's a perfect niche.'"

So Shalton created SpokenMessages.com. He recruited a group of nuns to sell the idea to local religious institutions, and, in the summer of 2003, began testing the service at 20 area churches. The response from pastors was overwhelming. "They loved it," says Shalton. "They said 'this is the greatest thing,' because it [gave them] an easy way of updating their website with their voice." Shalton was ready to go live with his service a month or two later, when he stumbled upon a news article reporting that a company called Acacia Research Corporation, based in Newport Beach, Calif., held a patent that, it claimed, gave it the rights to any streaming audio or video technology over the web. But after reading Acacia's patent and learning about its aggressive tactics, Shalton believed that Acacia's claims were bogus—its "invention" was far from novel: "I've been on the Internet since '89, and I've been downloading audio and video tapes from bulletin boards prior to that," he says. "So I knew that there was prior art [examples of earlier uses of the technology]."

Still, neither Shalton nor his team of sales-nuns had anything like the kind of money needed to challenge the patent in court. In addition, Shalton was concerned that if Acacia chose to come after SpokenMessages.com, it wouldn't be just him that would be held liable -- it would be the churches themselves, as the ultimate users of the service. "That was something I did not want to be causing for other people," he says. So Shalton shut down the site. "I had a meeting with the sisters and I told them what I was doing, and they agreed." And just like that, an innovative, commercially-viable operation, nurtured by an honest, creative, risk-taking entrepreneur—in short, just the kind of project that a well-functioning patent system should encourage and protect—was stopped in its tracks.

Acacia offers few real products or services of its own. Instead, it makes money by "patent trolling"--acquiring patents, usually by buying smaller licensing companies, then demanding fees from anyone who uses technology that they claim is covered by one of their patents. Knowing how expensive it would be to fight them—the average court challenge to a patent costs around $1 million—Acacia forces the small companies it targets to make a straightforward cost-benefit analysis. And even if a patent does get challenged and ultimately fails to stand up in court, the company keeps the licensing fees from deals it had previously signed with other targets.

Trolling has been causing such concern in the intellectual property community lately that in March the Intellectual Property Owners Association, long known as a strong supporter of the rights of patent holders, devoted a one-day conference to the issue. Smaller, less expert entrepreneurs have also made their mark. In 2003, a former San Diego travel agent named Lawrence Lockwood used a patent he had won for a technical innovation in browser operations to demand licensing fees from mom-and-pop operations across the country (an Indiana chocolate retailer, a New Jersey plumbing supply company, an Oregon clothing store) that did business online. The assertion struck many as preposterous, and after a group of retailers banded together to fight Lockwood, the patent office overturned the patent.

The reason this business is attractive to people such as Lockwood is simple: Trolling makes money. Acacia reported $4,284,000 in revenues from its patent-licensing operation for 2004, around two thirds of which came from its Digital Media Transmission (DMT) patent—the one which had led Shalton to take down SpokenMessages.com. And even though his patent was overturned, Lockwood still got to keep the licensing fees he had extracted from other targets that chose not to fight.

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The broad language of the patents gave Myriad almost total control over how—and whether—researchers and clinical practitioners could study, and test patients for, the gene associated with a disease that affects around one in eight American women.

luck or collaboration. Skolnick founded a private company, Myriad Genetics, based in Salt Lake City. It was Myriad that took the final step to sequence BRCA1, using detailed genealogical tables kept by local Mormon families. The company designed a test for mutations, then quickly applied for, and was granted, patents covering how the gene could be used.

The broad language of these patents gave Myriad almost total control over how—and whether—researchers and clinical practitioners could study, and test patients for, the gene associated with a disease that affects around one in eight American women. In 1996, one researcher, the University of Pennsylvania's Arupa Ganguly, who had developed a test for breast cancer sanctioned by the National Cancer Institute (NCI) got a cease-and-desist letter from Myriad informing her that her work fell under their patents. Worried about the high cost of bringing the case to court, the university's lawyers decided not to challenge the claims—even though Myriad's patents have been overturned in Europe, and even though several leading experts have argued that they wouldn't stand up on appeal. After Ganguly had moved on to other projects, the National Institutes of Health signed a licensing agreement with Myriad, allowing NCI to continue testing, but requiring it to send all test samples to Myriad's Utah lab for analysis.

With no competition to control costs, Myriad can effectively set the price for its test. Women who would have been charged $1,600 by Ganguly's lab were immediately forced by Myriad to pay around $2,400. "If someone else develops a test that costs $50, that test won't come to market," notes Dr. Steven Narod, a leading breast cancer researcher at the University of Toronto.

But higher prices aren't the only problem. Myriad's broad patent has effectively kept any other researchers from trying to make the test more accurate at catching cancers. Debra Leonard, a professor of pathology and laboratory medicine at Cornell, has been the target of numerous gene patent infringement claims by Myriad and others for her work on genes linked to Canavans, a rare disorder that causes severe neurological dysfunction in infants, and other diseases. "If you had a disease, would you want one company—with a commercial profit orientation—making all the observations about your disease in the testing diagnostic arena?" she asks. "I wouldn't."

Breaking the monopoly bank

Reformers propose various ways to fix the whole mess of problems that has ensnared the patent system. The most obvious fix would be to make the government subsidize the patent office again, instead of having the office pay for itself out of its own application fees. That would eliminate some of the financial incentives to green light patents. Given the mounting federal budget deficit, however, it's hard to see Congress suddenly turning down a source of revenue. Eliminating the count system, which encourages examiners to allow applications, is another obvious fix. The agency might still have an incentive to push through applications, but at least examiners would be somewhat insulated from that same pressure. Another wise move would be to hire enough examiners so that all complex patents are subject to the "second set of eyes." (There is money in the current patent office budget to hire more examiners, but probably not enough.)

More substantively, there's widespread agreement that attempts to challenge a granted patent need to be made more quickly and easily. That means introducing mechanisms allowing third parties to come forward after a patent has been granted with evidence of prior art that the examiner should have considered. Most versions of this plan call for a system of "post-grant review," creating a mini-trial for each patent being questioned, which would move the appeals from costly and time-consuming trials in the courts to a quicker and cheaper internal office review. (The cost of challenging a patent in the courts averages $1 million; hearings under the right kind of post-grant review system would cost a fraction of that.) The challenger would bring evidence—in the form of prior art—against the patent, the patent-holder would defend the patent, and the examiner would act as a kind of judge.

Serious reform of the patent system threatens the financial position of some of America's largest corporations, and key industry trade groups such as the Pharmaceutical Research and Manufacturers of America remain adamantly opposed. Still, there are some signs that the resistance to reform is beginning to weaken. Some leading high-technology firms such as Google are calling for major changes in the way patents are issued. The FTC's 2003 report has helped triggered a new round of hearings and conversation on Capitol Hill. And the growing technological sophistication of America's economic competitors has policymakers in Washington searching for new ways to spur innovation here at home.

Reforming the patent office would be a pretty good start. ◆

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Solved!

It covers everyone. It cuts costs. It can get through Congress. Why Universal Healthcare Vouchers is the next big idea.

By Ezekiel Emanuel and Victor R. Fuchs

Some day, historians will look back in amazement on the present moment in Washington. How, they will wonder, did a president and his party manage to invest so much of the nation's attention and resources on "reforming" a program, Social Security, which was not in crisis and would not be for decades (if then), while ignoring a larger, much more pressing problem: fixing our inefficient and inequitable health-care system?

You've heard the statistics. Health-care costs are rising at three times the rate of inflation, and have been for the past five years. CEOs of major corporations are screaming that these costs are creating major problems for U.S. corporations and their workers. Employers are raising employee's copays, trimming other benefits, or cutting off health insurance altogether. Wages are stagnant or falling, especially for less skilled workers because the hike in health-insurance premiums eats up a larger share of the total compensation. As a result, the ranks of the uninsured are growing—by 100,000 Americans each month. Some companies, like Wal-Mart, are said to encourage their lower-wage workers to sign up for Medicaid, the government health program for the poor, jointly administered by the federal government and the states; California alone spends nearly $32 million in tax dollars to pay for the health care of Wal-Mart employees. Not surprisingly, Medicaid's budgets are soaring, with governors slashing benefits and dropping hundreds of thousands from the rolls, further adding to the ranks of the uninsured. Meanwhile, Medicare is shaping up to be a tidal wave of red ink. By 2008, the country will spend more insuring retirees than on defense. By 2020, Medicare will gobble up 5 percent of the GDP.

Someday soon, probably in the next few years, this growing problem will reach such proportions that Washington won't be able to ignore it. And that could be where the real trouble starts, for the GOP leadership has already signaled how they're likely to respond: with "reforms" that, like the Republican Social Security reforms, promise to make the situation for many Americans worse, not better.

After years of denying there were problems with the American health-care system, leading Republicans now agree that the problems are so severe that a piecemeal approach can't work. House Ways and Means Chairman Bill Thomas (R-Calif.) and Senate Republican Leader (and presidential aspirant) Bill Frist (R-Tenn.) have each called for "a comprehensive game plan" to replace the current, employer-provided health-care system. What they propose in its place, however, is a system that puts a greater share of health-care costs onto the backs of individuals, who would pay for care with a tax-free "health savings account." The proposal would do little to extend coverage to more Americans and would leave sicker Americans with little help.

Scarred by the political rout that followed the Clinton health-care reform effort, most Democrats have been reluctant to offer more than incremental reforms. Many of those who still believe in comprehensive change remain enamored with a Canadian-style government-administered, single-payer system. Both of these positions no longer make sense. The exploding costs of health care and the lack of any immediate cost-cutting alternative have created a political environment that is far more open to reform than it was in 1994. Yet single-payer is no more politically feasible today than it was when President Clinton rejected it as a model for reform. Sure, a compelling case can be made that the Canadian or French system serves those countries' citizens better than the American system does ours. But an equally

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compelling case can be made that we'd be better off with an extra dollar-per-gallon tax on gasoline. These are, in the end, liberal sugarplum visions. If progressives want to use this moment to achieve universal health care, they will need to put forward a proposal that makes the most of what's good about the current system and reflects America's basic values.

What would such a system look like? To begin with, any comprehensive health-care reform should meet seven elemental tests.

First, it should cover every American, no exceptions.

Second, it should pay for covering those who are currently uninsured by cutting waste, not by increasing the total amount our country spends on health care.

Third, it should hold down the rate of increase of future health-care costs.

Fourth, it should give Americans more choice of health plans, not less.

Fifth, it should make our economy more productive, not less.

Sixth, it should reduce, not expand, government bureaucracy.

Finally, to get anywhere, a comprehensive reform plan must be politically viable by offering advantages to more (and more powerful) interest groups than those it upsets, while cohering with American values so that it can draw a broad base of support.

This vision is not a wonky figment of the imagination. It is possible to recast our health-care system in a way that is fair, progressive, efficient, and realistic. We have designed such a system, which we call Universal Healthcare Vouchers (UHVs). As the name implies, our plan achieves goals long sought by both sides of the political divide: the progressive dream of universal coverage and the conservative values of free choice and efficiency. Most importantly, it puts the brakes on the ruinous increases in the cost of health care that threaten to engulf our economy.

A UHV manual

Here's how it works.

Every household in America will receive a voucher entitling its members to enroll in a private health plan of their choice. All plans will be required by law to guarantee the basic features of what most Americans now receive from their insurers: doctors' visits, hospitalization, pharmaceuticals, and catastrophic coverage. These insurance policies will not cover everything. Viagra and cosmetic surgery will not be included, but Americans will still be able to purchase them and any other service or care with their own money.

Those with preexisting conditions or high medical costs will be protected because they will have guaranteed coverage with any plan they choose. UHVs solve the problem of adverse selection by adjusting the reimbursement value of the voucher to the differing risk levels an insurance company absorbs by taking on different patients. So, the payment to insurers for covering older, sicker patients will be higher than for younger, healthier Americans, eliminating the incentive to exclude high-risk patients. Moreover, while individuals can change health plans if they are dissatisfied, a plan will not be allowed to drop an individual for any reason.

Seniors currently enrolled in Medicare will see no change. All of that program's current obligations will be fulfilled. But there will be no new enrollees into Medicare. Americans who have yet to turn 65 will simply continue with their voucher-paid coverage, keeping the same choice of plans that they enjoyed throughout their lives. Medicare, with the regressive payroll tax that financed it, and its calamitous fiscal future, will over time be completely replaced by the voucher system. Americans will no longer have to wait for retirement before they are guaranteed reliable health insurance. And because every American will be covered regardless of their income, Medicaid will also be eliminated.

When it comes time to go to the doctor, Americans will see little difference. Just as today, different doctors may choose to accept or not accept different insurance plans. But unlike today, when most employees have no choice of insurance company, people will have greater freedom to choose a plan that suits them best. For their part, doctors will see little change in how they care for their patients. But rather than spending time and energy fighting with insurance company bureaucracies, doctors will have the information, infrastructure, and incentives to deliver the best proven cares to their patients, and know they will be reimbursed. Moreover, because everyone will be covered, doctors and hospitals will no longer have to absorb the cost of "charity care" for uninsured patients who lack the means to pay.

The greatest change will be found not in the doctor's office, but in the workplace. Employer-based insurance, with all its inefficiencies and inequities will disappear. Workers will have the freedom to switch jobs, try self-employment, or drop down to part-time work without losing health coverage. Not only will "job lock" disappear, but so will "wedlock" when men and women stay in marriages they would rather be out of because of health-insurance needs. Employers will also be free to hire workers without considering how much they may add to the health-insurance bill.

Small businesses and their employees would gain especially from UHVs. Small firms are often stuck with premiums that run 20 percent higher per employee than large businesses. With UHVs, all employees will be covered and all employers will be on equal footing.

The role of health insurers will be significantly changed by UHV. What too many patients find these days is large insurance companies eager to offset risk and cost by refusing to insure patients with pre-existing conditions or other serious needs. These at-risk patients can still find coverage, but often only through boutique insurance companies that fill tiny niches and require sky-high copays for the sickest of consumers. The new system changes all of this in two important ways. First, because all Americans will be guaranteed coverage in the plan of their choice, the hundreds of smaller insurers will probably fade away. The result will be a significantly consolidated, streamlined, and more efficient industry; economies of scale will lower administrative costs.

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The system will be administered by a new board modeled after the Federal Reserve Board. The Federal Health Board (FHB) will have regional boards to facilitate implementation of programs in different areas. It will contract with health plans, define and periodically update the basic required benefits package, inform Americans about their health-care options, reimburse health plans, and collect data and research related to patient satisfaction, quality of care, and risk and geographic adjustments for payments. Since many of these activities are currently done by state health agencies and insurance companies, creating the FHB will still mean a reduction in government bureaucracy.

The FHB will regularly report to Congress on the health-care system to ensure that the program is politically accountable. However, like the Federal Reserve, its board will have long-term appointments so that it is insulated from politics. The Federal Reserve Board has proven itself remarkably adept at resisting political pressures; that same insulation will be essential for the FHB so that it can issue decisions on what new drugs or treatments to require insurers to cover without being influenced by congressmen who may receive campaign contributions from health-care companies.

Shop and pay

While UHV will be more efficient than today's health-care system, it will not be free. Unlike past health-reform proposals, which have added the cost of a new health-care system to the total federal budget and proposed financing it through income and corporate taxes, we propose that UHV be financed by a dedicated Value Added Tax (VAT). Because consumers ultimately pay a slightly higher price for the taxed good, a VAT is essentially a hidden tax. Some of the tax might be absorbed by producers, but in the end, we can expect goods and services to be 8 to 10 percent higher than they are now.

The VAT is efficient, easy to administer, spreads the tax burden broadly, and encourages savings. Still, financing health care with a VAT poses political vulnerability for the UHV plan. Conservatives may argue that the VAT is a "money machine" that raises money too easily because the tax is hidden. But there are reasons to think that this argument won't be definitive. Polls show that many Americans are willing to accept higher taxes in exchange for guaranteed health care. Moreover, conservatives themselves, hoping to install a VAT in place of the income tax have promoted its virtues.

For their part, some liberals will argue that the VAT is regressive. But there is a reason why European voters have consistently signalled their approval of VATs. When applied to social services, VATs are decidedly progressive. Not only will it be used to fund health care for everyone, including low-income Americans who currently have none, but the VAT is also much more difficult for the affluent to evade than income taxes. Furthermore, the VAT can be made even more progressive by adjusting what is taxed—necessity items such as food and utilities that cost the poor disproportionately can be excluded from the base. Perhaps most importantly for the long-term viability of the program, the fact that lower-income Americans will be paying into the system will mean that it will be more difficult for conservatives to cast the program as "welfare."

While this is a new tax, most Americans will end up paying the same for their health care as they do today. Some upper-middle class and upper-income Americans will pay a little more in order to achieve the gold-plated coverage that they enjoy as subsidized coverage through their employers, but they will gain, as all Americans will, from the security of knowing that their insurance is guaranteed for life. This is no small benefit, and one most Americans appear willing to pay for. According to the Kaiser Family Foundation, the fear of losing health insurance is more prevalent than the fear of losing a job, of losing one's life savings in the stock market, or of being the victim of a terrorist attack or violent crime.

What will the overall cost of this program be? The easiest way to estimate that is to multiply the cost of the typical employer-provided insurance plan by the number of Americans who would be covered. The cost of extending the same coverage to all 250 million Americans under 65 is $713 billion. (Since Medicare will be untouched at first, we leave it out of our calculations.) Adjusting this figure upward 7 percent to account for the fact that the insured and Medicaid recipients tend to be sicker than the average worker and have higher medical expenses brings it to $763 billion.

That's a pretty big number. But it's no more than the $800 billion employers and the government spend today on a health-insurance system that leaves 45 million people without any coverage. UHV offers everyone good insurance for about the same as the current system.

How is this possible? UHVs will dramatically reduce inefficiencies in both government and insurance bureaucracies immediately. It could save tens of billions of dollars by eliminating for insurance companies the cost of negotiating and contracting with employers every year and by shrinking the number of overall insurance companies and their associated administrative costs. Meanwhile, UHVs will do away with some of the absurd inefficiencies of government health care, one of which is Medicaid, which—with 50 separate state bureaucracies required to operate it—currently spends tens of billions each year just to determine who is eligible for the program. That cost disappears under the UHV plan.

In addition to the immediate savings, UHVs would help rein in future health-care costs that threaten our economy and our government finances. Health-care inflation is driven by four factors: 1) the economy's underlying inflation rate; 2) the aging of the population; 3) increased demand for expensive treatments or tests, such as MRIs; and 4) new technology. The first two, which account for 40 percent of health-care inflation, cannot be changed (unless you're God or Alan Greenspan). Still, they alone are not powerful enough to make health-care costs rise faster than GDP. The threat to the economy comes from the costs associated with new

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technology and demand for existing technology, which account for the remaining 60 percent of health-care inflation. UHV holds these costs down considerably.

First, because the sole source of income for the UHV system is the VAT, increasing the amount we spend on health care will require federal action to increase the tax. If the public wants coverage of more services they can exert pressure on Congress to do just that. But higher taxes are a tough sell, and it would likely take significant improvement in medical care for Congress to agree to raise the UHV budget. And if the public values these improvements, the budget should be raised.

In addition, the FHB will moderate increases in cost due to new technologies—the most significant driver of health-care inflation. New technologies sometimes reduce the cost of care, such as when pharmaceuticals obviate the need for expensive surgery. More often, however, new medicines or equipment with small or negligible benefits add wildly inflated costs to health plans. Vioxx, Celebrex, and similar medicines are not any more effective for younger patients than is ibuprofen, which costs a penny per pill. But the sizzle of new drugs leads thousands to request and be prescribed them at a cost of billions of dollars.

Ten Principles of Universal Healthcare Vouchers:

1. Universality: Every American under 65 years of age would receive a voucher that would guarantee and pay for basic health services from a qualified insurance company or health plan.

2. Free Choice of Health Plan: Individuals and families would choose which basic insurance program or health plan they wanted among several alternatives.

3. Freedom to Purchase Additional Services: Americans who wanted to purchase additional services or amenities, such as wider choices of hospitals and specialists, or more comprehensive mental health or dental services, could do so with their own money.

4. Funding by an Ear-Marked Value-Added Tax: Earmarking creates a direct connection between benefit levels and the tax level, serving as a political restraint on health care inflation. If the public wants more services to be covered in the basic plan, they must be willing to support a tax increase.

5. Reliance on Private Delivery System: This proposal does not call for government health care and would not legislate changes to the current private delivery system. Health insurance companies and health plans would continue to contract with physicians, hospitals, rehabilitation facilities, pharmacies and other providers for services to the individuals who enroll in their plans.

6. Ending Employment-based Insurance: Experience demonstrates that health insurance provided by employers lowers wages, raises prices or reduces employment. The end of employment-based health insurance would translate into higher wages, lower prices, and the recapture of lost tax revenue.

7. Eliminating Medicaid and Other Means Tested Programs: Since every individual and family would receive a voucher, there would be no need for Medicaid, the state Children's Health Insurance Program (S-CHIPs), or other means tested programs. Those covered by such programs would be incorporated into the mainstream health care system without means testing.

8. Replacing Medicare over time: While no existing beneficiary would be forced to change to the voucher system, Medicare would be phased out over time. Individuals turning 65 would continue to be enrolled in UHV; there would be no new enrollees in Medicare.

9. Administration: Modeled on the Federal Reserve Board, management and oversight would be the responsibility of a Federal Health Board with multiple regional boards to facilitate implementation of programs in different geographic regions. The board would be active contractor with health plans, defining and periodically modifying the basic benefits package, informing Americans about their health care options, reimbursing health plans, and undertaking data collection and research related to patient satisfaction, quality of care, and risk and geographic adjustments for payments. The board would regularly report to Congress on the health care system.

10. Technology and Outcomes Assessment: An independent Institute for Technology and Outcomes Assessment would be established. Its research and database would focus on assessing the effectiveness and value of different interventions and treatment strategies and disseminate information concerning outcomes of treatments delivered in regular practice.

There is nothing wrong if individuals want to spend money on marginal medicine, but weighed against, say, universal prenatal care, the benefits simply do not justify the costs. A nonpolitical board that could objectively assess these data will reduce the use of marginal medicine, causing a ripple effect that sends a message to pharmaceutical, biotechnology, and device companies: Marginal improvements that a company develops are unlikely to be covered by the voucher program. So, why not stop developing an unending chain of Viagra rip-offs and redirect research toward drugs that offer clear benefits to the public health?

Cozy up to K Street

Economic feasibility, of course, is not enough. If the history of health-care reform teaches us anything, it is that its politics cannot be an afterthought. Looking at the hammerlock which conservatives hold on the federal govern-

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ment and on the lobbyists of K Street, some might say that the chances of a successful bipartisan overhaul of the health-care system are next to nil. We disagree for two important reasons. First, what elevates UHVs above the ranks of attractive yet doomed health-care reforms is the way that vouchers reshape the politics of the issue, attracting some powerful interests that have traditionally opposed reform while isolating and limiting the remaining opponents. To put it bluntly, it will be hard to oppose this plan on grounds that aren't strictly partisan. And the second reason cannot be repeated too often: This is not 1994.

The turnaround of the attitude of business towards reform is one of the biggest changes from 1994 and the first health-care fight. Large businesses opposed Clintoncare on the theory that managed care would keep their expenses in check. For the short term, it was a good bet. Managed care did restrain health-care costs until 1999. Since 2000, health-care costs have risen dramatically, breaking the backs of companies, and there are no more savings to wring out of the current system. In 2003, business health-care spending rose 12 percent, the fifth consecutive year of double digit rates of inflation. General Motors and Ford both had their debt rating slashed to junk status this May in large part because of their pension and health-care liabilities (Ford's liability in 2004 reached $12.3 billion or 70 percent of its market capitalization). Nearly half of 1,400 chief financial officers surveyed by Robert Half Management Resources said they expected health care to account for the biggest increase in their cost of doing business over the next year. Removing these costs from their balance sheets and restoring a measure of predictability to wage and benefit costs would be irresistible to businesses. While many CFOs might prefer to be relieved of the responsibility for health care altogether without any tax at all, most recognize that such a retreat (to the 1920s) is unlikely to happen.

Large insurance companies—whose opposition presented a significant stumbling block to Clintoncare—should support a UHV plan because it preserves the role of private insurers and brings 45 million new paying customers into the industry. They should be joined on the side of reform by doctors, who stand to benefit financially from reduced administrative costs associated with consolidation of the industry and from the end of charity care for uninsured patients, and who did, after all, enter their profession in order to care for the sick, not just wealthy sick people. Governors and state legislators would put their muscle behind the plan because it relieves them of the Medicaid costs. Even traditional liberal constituencies that were lukewarm about Clintoncare can be expected to support this reform. The union movement, for instance, has been forced to accept higher premiums and copays in negotiations; if health benefits are no longer an issue, leaders will have more leeway to bargain for higher wages and other benefits.

Certainly, the most significant opposition to UHV will come from smaller insurance companies, whose steep profits come from insuring those Americans who are too risky for large insurers to touch. With universal coverage, these boutique insurers will be rendered obsolete as their customer gravitate toward the larger, most efficient firms which offer higher levels of care for the same amount of money. While small insurers are well-funded, well-connected, and well-organized, they will be on their own in this fight. Their old ally in the Clintoncare fight—big business—has grown tired of paying high premiums and doesn't see the existence of small insurers as vital to its own survival.

When you add business, doctors, state officials, and large insurers to the column for reform, the political scorecard looks a lot stronger than it did for Clintoncare. Even if small insurers and no-tax conservatives put all their strength behind defeating UHVs, they would still have to overcome a powerful coalition. The outcome certainly isn't predetermined, but, for the first time in a long while, the odds seem more favorable to reform.

And so does public sentiment. At its high point, the Clinton health-reform proposal garnered the support of 56 percent of Americans—a not-insignificant number, but nothing like the levels of support for universal health care today. In 2003, the Pew Research Center asked Americans if they would support universal health care even if it meant rescinding tax cuts passed since President Bush took office. A full 72 percent said yes, including a majority of Republican respondents. Voters no longer view health care as a squishy liberal cause, but as a moral and security issue. A recent *BusinessWeek* cover story identified a block of voters dubbed "Safety Netters"; Pew calls them "Pro-Government Conservatives." Whatever the label, the new political landscape now includes a significant segment of voters who are basically conservative, but who believe in the benefits of a social safety net and who fear the financial and health costs of losing access to care.

In the inevitable debate over health-care reform, there will likely be three basic choices. First, the status quo, which promises ever-higher numbers of uninsured, endless cost increases for business, and potential fiscal ruin for government. Next is the conservative option, in which individuals are by and large on their own, swallowing a greater portion of their health costs while unabated inflation makes the cost of a doctor's visit more and more prohibitive. But as the Social Security debate proves, any major legislation demands bipartisan support. Conservative health-care reform has little if anything to offer Democrats, even moderate ones. UHV, because it enhances consumer choice while offering clear benefits to Republican constituencies such as large insurers and business, has a good chance to draw enough Republican legislators to get over the top.

Precisely when Americans will once again look to Washington for solutions to the problem of American health care is somewhat unclear. But what is certain is that the day will come, and soon. Those who believe that health care is a right, not a privilege, should be prepared to offer an answer with a chance of succeeding. ◆

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Unquiet American

Tough, idealistic, motivated by profit, Dale Stoffel had all the attributes the Bush administration thought would set Iraq right.

The mysterious murder of this whistle-blowing contractor exemplifies all that went wrong.

By Aram Roston

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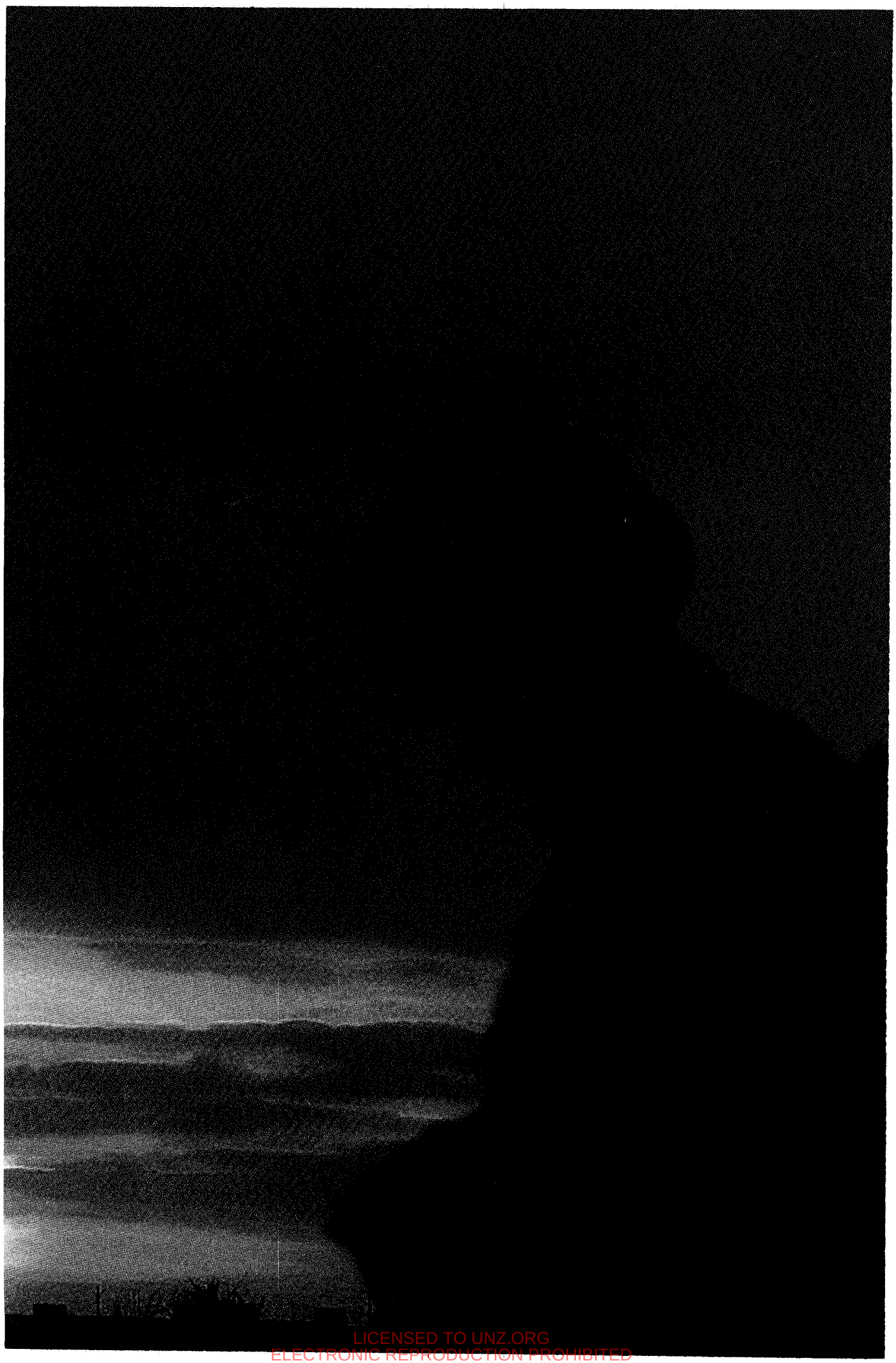

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The sun sets early in Iraq in December. So, it would have been approaching dusk—calm and eerie—when Dale Stoffel climbed into the passenger seat of his black BMW station wagon at Taji military base outside of Baghdad. He would have held his dull, black Heckler & Koch MP-5 submachine gun tight to his body, the way he always did. The trip back to Baghdad was just 15 miles, but it led through what had become, by December 2004, some of the most dangerous terrain in the world—the Sunni suburbs of Baghdad.

At 43 years old, Stoffel, an American businessman and arms dealer, sported a goatee that gave his grin a mischievous appearance. He probably would have been grinning that day. After all, he believed he had just rescued the biggest business deal of his tumultuous career, one that he thought would not only make him millions but would also help to arm the Iraqi military against the insurgents. It was a deal he believed in with all his heart.

Everyone has heard stories of selfless idealists killed in Iraq. Stoffel was not one of those and probably would not have wanted to be seen that way. He was a self-professed man of action, one who was proudly and openly in Iraq to make a fortune. Still, he supported the war and the promise of a new Middle East and was a solid Republican, an enthusiastic backer of George W. Bush, and a donor to the president's campaigns.

There had been obstacles in Stoffel's way: distractions, false starts, broken promises. There had been encounters with con men, hucksters, and thugs. Stoffel—who'd come to Iraq on the strength of his connections with a circle of Washington lobbyists associated with the invasion's *eminence grise*, Ahmed Chalabi—had recently accused the Iraqi government and American employees of U.S. military contractors of corruption in a massive deal involving military equipment. But he believed his friends in Washington had sorted it all out and that he was going to be paid the millions of dollars he felt he was owed. An Army colonel who saw him that day said he appeared "pleased."

Two days later, Stoffel's car was discovered in a grim neighborhood along the Tigris. The hood was crumpled like a paper bag, the windshield a haze of cracks. The dashboard was covered with blood. Stoffel had been shot repeatedly in the head and upper back. His friend and employee, Joe Wemple, had been shot once through the head.

A mysterious insurgent group has claimed credit for Stoffel's killing; another terrorist group celebrated the murder and called him an American spy. His friends, though, aren't convinced that this was just another act of violence by militants in Iraq, and neither, apparently, is the FBI, which is now investigating his death. In the chaos of Iraq, it's likely that no one will ever know for sure why Dale Stoffel was murdered.

What does become clear, from dozens of interviews with people who knew Stoffel and from documents that detail his work, is that Dale Stoffel's life—and death—was a version, in miniature, of the American occupation itself. His personality, with its mix of idealism, ideology, and self-interest, mirrored those of the senior administration staff and young officials who manned the American headquarters in Iraq. Stoffel and these administration officials shared a belief that they were clever enough, tough enough, and committed enough to impose their will on a dangerous land through the use of key Iraqi insiders. But, in the end, their Iraqi friends used them.

Legit side of a shady world

I had known Stoffel for four years, and I liked him. We had first met in 2000 over a Scotch and a rockfish dinner at the Landini Brothers restaurant in the Old Town section of Alexandria, Va., a self-consciously quaint shopping district across the Potomac River from D.C. where the elite of the defense contracting world meet after work. Stoffel was smoking Cuban cigars with gusto, practically smacking his lips each time he took a puff. He told good stories—of dinners with defense attachés, of drinking a $1,000 bottle of '61 Lafite Rothschild with a drunken Russian oligarch in Monte Carlo. He was loud and brash and seemed to think himself as a man's man, adventuresome and self-reliant. Stoffel liked to mimic hip-hop lingo; he called me "homeboy." But he also had a subtle intelligence and a chameleon-like ability to shape his personality to his audience and situation.

He must have picked up his swagger somewhere because "he sure wasn't like that in high school," a long-time friend of his told me. Stoffel was raised in suburban Washington, where he became an Eagle Scout, and then in Pittsburgh, where his family moved while he was in high school. Mr. Rogers broadcast his show from the Pittsburgh PBS station where Stoffel's father worked as a technician. His mother was

On previous page: Sunset north of Baghdad. Getty Images

Aram Roston is an investigative producer with NBC News.

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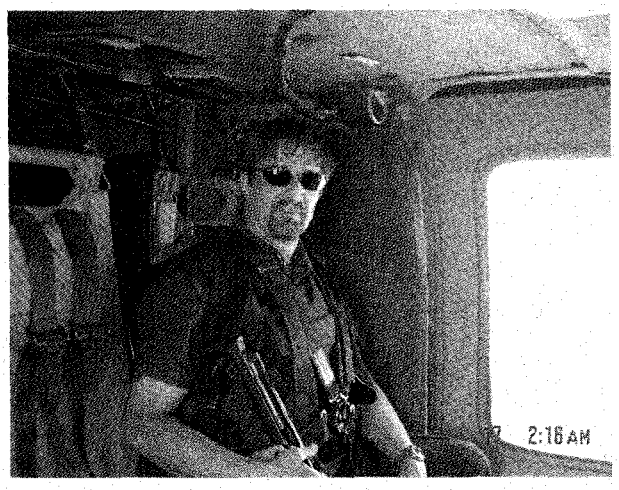
a homemaker.

At 19, Stoffel joined the National Guard, less out of any interest in soldiering, relatives said, than to get money for college. His military records show that he was a heavy weapons specialist with a penchant for complex hardware: His military courses included advanced radar, electronic warfare, and electronic intelligence. Later, shortly after he graduated from Washington & Jefferson College in Pennsylvania with degrees in mathematics and physics, Stoffel was recruited (on the strength of his undergraduate work) to be a civilian analyst in the Office of Naval Intelligence (ONI) in Suitland, Md., studying missile technologies. By his colleagues' accounts, he was very good at his job. In 1987, two years into his tenure at ONI, close associates of Stoffel's remembered, the USS Stark was hit in the Persian Gulf by an Iraqi missile, nearly sinking the ship and killing 37 sailors. Stoffel was a junior member on the team flown to the Middle East to figure out what had happened, but when he studied the missile parts embedded in the wreckage, his associates recalled he discovered that the original Navy assessment, that a lone missile had struck the ship, was wrong. He showed his superiors that parts of two different missiles had stuck into the vessel's metal plates, making it harder for Iraqis to argue that the weapons had been fired accidentally.



In January 2004 contractor Dale Stoffel arrived in Iraq with equal parts idealism, patriotism, and desire for profits. On December 8, his vehicle was ambushed, and he and a co-worker shot multiple times on their way back to Baghdad from the Taji military base. Above: A photo of Stoffel in Iraq found on his digital camera after his death. Below: His bullet-ridden and smashed vehicle.

Stoffel was also, early on, publicly intolerant of dishonesty, associates of his remember: His first year at ONI, his coworker Jonathan Pollard was arrested for spying on Israel's behalf. Stoffel despised Pollard and told friends and associates for years afterwards that Pollard had been unprincipled, a money-grubber who claimed heartfelt allegiance to Israel only as a way out of trouble.

Civil service money may not have been good enough for Pollard, and, in the long run, it wasn't good enough for Stoffel either. Stoffel left government work in 1989 and joined the staff of a series of defense and intelligence contractors, developing a unique specialty: buying up missiles and other weapons produced in the former Communist bloc countries on contracts for the Pentagon and U.S. intelligence agencies who wanted to analyze them. This work—on the legit side of a shady world—introduced him to a circle of adventuresome arms dealers based in Austria. According to his associates, Stoffel simply loved the swashbuckling, high-living lifestyle. "Dale always thought he was going to be someone big, and important," a close relative said, "but he wasn't one to plan more than a few months in advance. It wasn't as if he planned to be an adventurer; he more or less fell into this line of work. But he loved it; he realized that it suited him." By 1995, Stoffel had become successful enough to start his own company, Miltex, specializing in the same kinds of contracts.

Miltex had a brush with scandal in 1999 when its name appeared in a Human Rights Watch investigation into the arms trade in connection with a missile shipment seized in Bulgaria and presumed to be destined for Africa. Stoffel suggested that other arms dealers might have simply stolen his company's name for use on some documents related to the illegal weapons sale, which happens not infrequently in the shadowy world of arms dealing. Human Rights Watch's report mentioned Stoffel's explanation without assessing it.

In response to the incident, Stoffel dropped that company name and adopted a new corporate name, Wye Oak Technology, using the same small staff (usu-

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During previous occupations, the U.N. and the State Department had served as clearinghouses for plans and personnel. For Iraq, the nerve centers were Rumsfeld's Pentagon and the politically connected law firms and lobbyists on K Street.

ally fewer than five employees) and doing the same kind of work. But that work itself was getting tougher. Federal court records show that, in March 2001, Boeing's McDonnell Douglas subsidiary contracted to pay Wye Oak $11.5 million to obtain 32 Russian supersonic, sea-skimming missiles primarily for the Navy. Stoffel negotiated with Czech, Russian, Hungarian, and Ukrainian officials, all of whom were happy to earn American cash for their stockpiles, as if he were a shopper choosing between Best Buy, Circuit City, and the Wiz. But he could only deliver fewer than one-sixth the number of missiles he'd promised, and Boeing sued him to recover the $6 million it had advanced to him so that he could procure more missiles. Stoffel claimed that McDonnell Douglas had made his job impossible by agreeing to contracts with several other arms dealers for the same missiles, allowing the Eastern European officials who possessed the weapons to jack up prices beyond what Stoffel could pay; Boeing said it was allowed to do this under the terms of their contract with Wye Oak. The settlement is sealed, but Stoffel's associates maintain that he had already spent the $6 million and did not return it to Boeing.

By then, though, pro-Western governments had taken over much of Eastern Europe, shutting down the weapons bazaar that had flourished throughout the 1990s, and Stoffel was looking to get out of this particular line of work. "The business in this country of buying foreign materiel has kind of dropped off," says one international arms consultant who was a friend of Stoffel's. "[The United States government] can go [directly] to Romania or Poland to get this stuff," and no longer needed middlemen like Stoffel to cut deals for it. In 2002, Stoffel moved back to Pennsylvania with his second wife. He was looking for a new start. And in the wake of the Iraq invasion, he thought he'd found it.

Lawyers, guns, and money

From the beginning, the U.S. occupation of Iraq was dramatically—and consciously—different than any other post-Cold War nation-building effort. In Bosnia and Kosovo, the U.S. military had come in with substantial numbers of troops and then quickly handed authority over most civilian matters to the United Nations, the State Department, and non-governmental organizations (NGOs) such as the Red Cross.

But rather than follow previous experience and use experienced personnel, the Bush administration decided to do things differently. It chose to invade Iraq with a fraction of the troops that many senior military leaders thought necessary. It kept the United Nations, the State Department, and the NGOs on the periphery, both in the planning process and in the administration of the country. In their place, it created the Coalition Provisional Authority (CPA), an ad hoc agency set up in the "Green Zone"—the heavily fortified American sector of Baghdad—and headquartered in Saddam's former palaces. It staffed the CPA with personnel drawn from the ranks of D.C. think tanks, law firms, and political appointees, many with more loyalty to the president than experience in the field.

The CPA's plan, to the extent that it had one, was to remake Iraqi society from the ground up. It would use free-market ideas as a guide, Iraqi exiles as political proxies, oil revenues for funding, and American contractors to carry out the rebuilding. During previous occupations, the U.N. headquarters in New York and the State Department's D.C. offices had served as the clearinghouses for plans and personnel. For Iraq, however, the nerve centers were Donald Rumsfeld's Pentagon and the politically connected law firms and lobbyists on K Street.

Dale Stoffel quickly came to understand all of this, and, in April of 2003, after the United States invaded Iraq, Stoffel retained the lobbying powerhouse BKSH, the firm headed by the influential Republican lobbyist Charles Black, to provide "assistance in defense contract procurement," for Wye Oak.

Stoffel hired the firm to drum up business stateside. With a newborn fourth child, he wasn't looking for work making risky trips overseas. But BKSH had a special interest in Iraq. The firm was a key member of the coterie of talking heads, lobbyists, and politicians pushing for war in Iraq that centered around Ahmed Chalabi's Iraqi National Congress (INC), the anti-Saddam exile group, which was itself a BKSH client. (The lob-

The American "victory strategy," as Donald Rumsfeld called it, became to arm and equip the new Iraqi army to control a roiling, violent country that the U.S. military had not been able to quell. Right: Iraqi tanks and new troopers parade at the al-Taji military base, north of Baghdad. (Getty Images)

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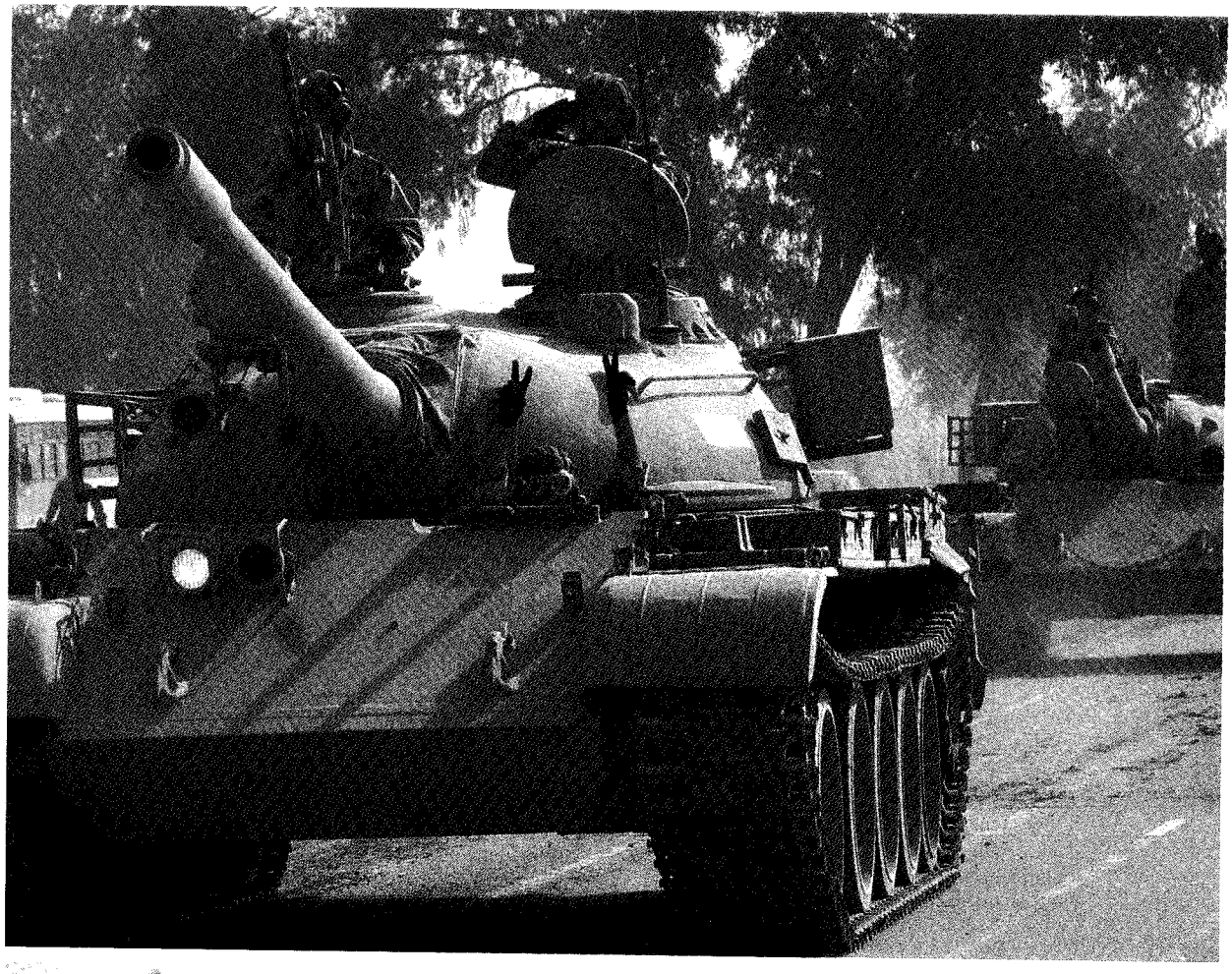

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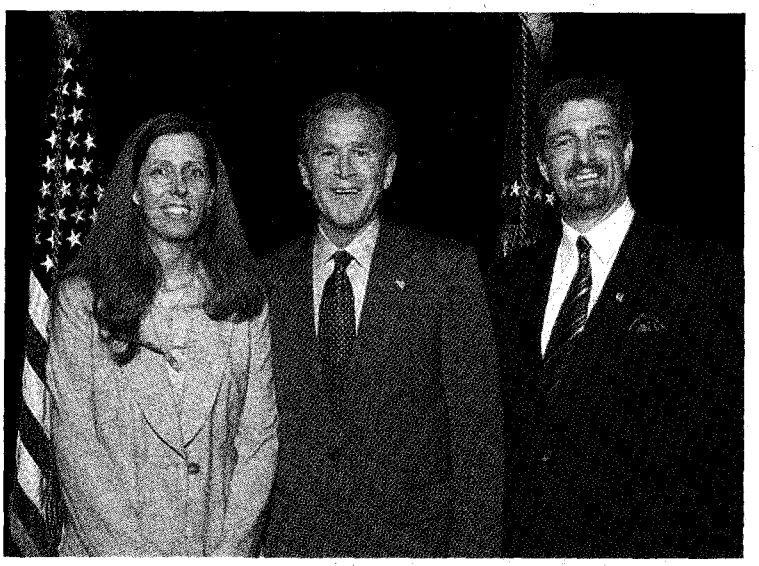

Dale Stoffel and his wife, Barb Stoffel, at a fundraiser in Pennsylvania in 2003.

bying firm provided the exiles with lobbying and media services; its staffers acted as the INC's spokesmen, brokered meetings and deals with Washington insiders, and arranged Chalabi's trips to the United States.)

In January 2004, a leading BKSH lobbyist named Riva Levinson made a pitch to Stoffel. She told him that the lobbying firm could get Stoffel into Iraq using its own connections on the ground, according to someone who attended the meeting; Stoffel, who had worked in the Middle East before but spoke no Arabic, took her up on the idea and was on a plane to Iraq in a matter of weeks.

There was an associate of the INC waiting for Stoffel in Iraq, too—a woman named Margaret "Peg" Bartel, whom he paid to serve as his liaison to the Iraqi business community. (BKSH had a referral arrangement with Bartel, who set him up in Iraq with living quarters, office space, and security.) Bartel was an integral player in Iraqi exile circles; she had helped the INC defend its sometimes questionable bookkeeping in State Department audits and had also assisted in structuring payments the Pentagon made to the INC once war broke out. In Iraq, Bartel introduced Stoffel to the Chalabis, helped him and his associates hunt for business, and set them up in quarters in the Chalabi compound. Chalabi and his INC militia had seized several properties in the posh Baghdad suburb of Monsour—compounds, they said, that had originally belonged to the Chalabi family, but had been stolen by high-ranking Baathists during Saddam's reign. Stoffel and four of his staffers moved into one of those compounds in January and stayed there for several months.

In the gold rush of 1849, they say, it was not the miners who got rich, but the operators who sold the picks and the shovels and the wagons and the denim. So it was in Iraq, with the likes of Peg Bartel, the INC, and BKSH. Stoffel was a miner taking his chances, and they were selling him the picks and shovels.

Vegas on the Tigris

I hadn't even known Dale Stoffel was involved in Iraq until May of last year when I was walking through the lobby of my hotel in Baghdad, where I was on a reporting assignment. At first, I didn't recognize him—I just saw the MP-5 submachine gun slung low on his back, and I frowned. That's when he turned around, spread his arms wide, and greeted me warmly.

With the exception of the submachine gun and a pistol tucked into his belt, he looked the same in Baghdad as he had in Washington. He had a small paunch on an otherwise lanky frame, and he stood jauntily with his shoulders back and his feet apart as if he owned this part of the world. "I love this shit," he would say. "This is what I was born for."

As a friend of his later told me, "When Stoffel first got to Iraq, it was the reaction most people have the first time they go to Vegas."

But in May 2004, Iraq was looking a lot less like Vegas than it had a year before. The country, especially the Sunni sector, was a violent mess. Rumsfeld's decision to invade Iraq with a relatively small ground force had proven to be a mistake, second only to the decision, ordered by the White House and imposed by CPA administrator Paul Bremer 12 months earlier, to disband the Iraqi security services. Many laid-off Iraqi soldiers, who retained their weapons but were no longer getting paychecks, joined a growing insurgency which, by the spring of 2004, was responsible for dozens of explosions and car bombs leveled at American troops and Iraqi civilians. The chaos caused the Shiites and the international community to increase their clamor for a quick handover of control to an interim Iraqi government, and the impending U.S. presidential election gave the White House a political motive to do so as well. The administration began actively looking for a way to get the tar baby that Iraq had become off its hands.

Meanwhile, the situation in Iraq continued to deteriorate. There was no effective government providing municipal services, so garbage piled high on nearly every Baghdad street, its stench filling the air. Sewage flooded the streets—children walked in it, cars drove through it. Electricity might flicker on for three hours at a stretch, but rarely longer. And if there was any reconstruction going on in the capital's neighborhoods, I couldn't find it.

Stoffel invited me to his suite on the fifth floor of our hotel in Baghdad. It reminded me of a dorm room, but with guns. Laptop computers and paperwork littered the coffee table and the shaky, white plastic din-

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From the start, the Iraq reconstruction effort had been haunted by talk of corruption. Contracts were issued quickly, and written sketchily, by the CPA; frequently, businessmen dealing with the agency said, they'd be posted on a CPA Web site with bids due the very next day—an impossible standard to meet for any contractor who didn't have advance warning.

ing table. There was a bottle of Johnny Walker Red and some six packs of Bud in the fridge. Joe Wemple, who worked for Stoffel, was there too, a sinewy man with white hair, a small goatee, and a sunburnt skepticism. His walk was a wiry prowl, and he looked like a miner in the old West, wearing a hiker's hat with the brim turned up.

They showed me their little self-defense arsenal. In addition to Stoffel's sleek MP-5, they had a nifty Italian Beretta submachine gun that fired 9-millimeter rounds. They had a couple of pistols, an AK-47 carbine with a special pistol grip, and boxes of brown Syrian-made 9-millimeter bullets. But those dull, black guns and all that ammunition would turn out to be useless against the enemies that he would eventually encounter in Iraq.

One night, I met Stoffel outside our hotel. He was talking on his cell phone with his wife back in Pennsylvania. He told her that a reporter friend of his was at the same hotel, and it was a safe place, and then he put me on the line. I could feel his eyes on me the whole time as I told her it was safe. Somehow, I even believed it when I said it. Back then, everyone was telling America—in emails, in phone calls, in press conferences—that Iraq was safe, not as bad as it seemed.

Later that evening, we sat together under the green, polluted Baghdad sky, having some beers and listening for the mortars. Stoffel had brought a snappy cigar case he'd bought at Georgetown Tobacco: Each metal cylinder had its own cap, like a row of torpedo tubes. He leaned back in the spindly plastic chair and held his Cuban cigar as if this was the most contentment one man could hope to achieve in this life.

His contentment was curious, considering what he'd been through in the four months since he'd arrived in Iraq. He'd moved to the hotel after things had become chaotic in Monsour. Associates say he'd had a business dispute there with Faisal Chalabi, a nephew of Ahmed's. As Stoffel told it, the security guards supplied by Peg Bartel and the Chalabi group had suddenly turned against him. He and his colleagues had gathered their gear and readied themselves to leave. And then the guns had come out, he said—a kind of Mexican standoff in Baghdad.

Stoffel loved telling the story. "I stood there, right like this," he recalled, pretending to hold a rifle to his chest and with his feet planted apart, "and I didn't draw down at them, I just stood there. And they said 'No, Mr. Dale, you can't go, you can't go!' And I said, 'Boys, we're leaving. That's the end of it.' And they could tell I was this close. This close!"

As Stoffel's relationship with the Chalabis was unraveling, so too was the American government's. Originally a favorite of administration neoconservatives who had hoped he would lead a pro-American Iraqi government, the exile leader had become an immense embarrassment to the White House. The investigations into pre-war U.S. intelligence failures revealed that some of the most erroneous information about Saddam's weapons of mass destruction programs had come from sources provided by Chalabi. Iraqi police were investigating Chalabi's organization for massive corruption, and U.S. officials suspected that one of his aides had passed word to the Iranian government that the United States had broken that country's intelligence code, a potentially devastating leak. But more than anything, Chalabi was standing in the way of the White House's effort to work with the United Nations to hand control of the country to an interimIraqi government. In late April, the National Security Council's Robert Blackwill was commissioned to draft a memo titled "Marginalizing Chalabi," which listed suggestions on how to sideline the INC leader.

In May 2004, Iraqi police raided Chalabi's compound looking for evidence of organized crime. I showed up with a camera crew and spotted Peg Bartel. She was on the street, holding a cell phone to her head and giving orders in English to flustered Iraqi aides. A stout American woman without a shawl barking into the phone on a Baghdad street was a bizarre sight.

At a press conference I covered later that day, Chalabi accused the Iraqi police of framing him. When the event was over, my cell phone rang: It was Stoffel, who'd been watching it all live on cable TV. "You just hemmed and hawed," he badgered me. "You should have asked tougher questions."

Cash stuffed in pizza boxes

It was after the falling out with Chalabi's followers

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that Stoffel decided to become a federal informant, blowing the whistle on corruption by American officials in Iraq.

Stoffel—for all his activity and charm, and despite the open-season nature of Iraq—was having a hard time breaking through to the big money. He was scrambling for contracts, trying to sell railroad equipment, building supplies, buses, even Ukrainian tomato paste. (The buyers had issued a contract for tomato paste made in a Muslim country; Stoffel's plan was to buy the food in blank cans from the Ukraine, one of his partners told me, where it could be had much cheaper, and stick on labels saying it came from the United Arab Emirates, undercutting less shrewd contractors. He didn't get the contract, or the chance to try.) But aside from a small subcontract to help repair the building that had housed Saddam's Ministry of Defense, which paid his (and his staff's) way but won only slim profits, Stoffel hadn't cut any deals.

The main reason was that little could get built in the violent chaos. Of the $18.4 billion Congress had set aside for reconstruction, only 3 percent had been spent by August 2004. As a result of security concerns, contractors could barely get out the door, and had to watch as large chunks of the country sank into ruin.

But another reason Stoffel felt he wasn't breaking through was that he refused to pay kickbacks. From the start, the Iraq reconstruction effort had been haunted by talk of corruption. It was a cash economy, and existed in a legal black hole with little accountability. Contracts were issued quickly, and written sketchily, by the CPA; frequently, businessmen dealing with the agency said, they'd be posted on a CPA Web site with bids due the very next day—an impossible deadline to meet for any contractor who didn't have advance warning. It was a climate ripe for corruption.

Stoffel was naming names, his associates say, and telling startling stories—cash stuffed inside pizza boxes, kickbacks to purchasers inside the Green Zone. He told these stories to a new office set up specifically to ferret out financial wrongdoing in Iraq, the Special Inspector General for the Reconstruction of Iraq. (Spokesmen for that office have refused to talk about the case, citing ongoing investigations.)

Last summer, Stoffel finally seemed to hit pure reconstruction gold, or, more specifically, scrap iron—military scrap iron. Stoffel and his colleagues saw opportunity in the relics of Saddam's army, the thousands of tanks and armored vehicles stowed away in desert depots and that now belonged to the reconstituted Iraqi Ministry of Defense. They could be worth hundreds of millions on the international scrap metal market. (One of Stoffel's associates estimated the value of the scrap to be at least $1.5 billion.) In a collapsing country, he figured, he could at least sell the junk.

Virtually all official relationships had broken down in the country, so business depended upon personal contacts. Stoffel's schmoozing among prominent Baghdad families, and particularly his aborted stay near the Chalabi compound when he had first come to Iraq, was beginning to prove valuable. There he had shared a house with a man named Mohammed Al-Chalabi, a cousin of Ahmed Chalabi, who introduced Stoffel to another cousin of his, named Ghazi Allawi. Ghazi Allawi introduced Stoffel to a man named Mashal Sarraf, a well-heeled civil servant who worked for Allawi's brother, Ali Allawi, who was then the Minister of Defense in the new Iraqi government, according to a statement given by Sarraf to *The Washington Monthly*. Sarraf, an operative who was described to me by one American as "the best dressed man at the Ministry of Defense," realized that Stoffel was a man he could work with. The Ministry gave Stoffel a letter affirming that his company would be the "sole and exclusive" agent for the disposal of the vehicles in the depot, promising additional future profits.

Stoffel told Sarraf about an idea he had to mine Saddam's abandoned tanks and armored vehicles to build a mechanized brigade for Iraq's new army. Some of Saddam's tanks and personnel carriers had barely a scratch; they could be refurbished for use by the new Iraqi military. Many of the other vehicles in the depot were beyond repair, but their heavy plates could be removed and used to armor the trucks that Iraq's new soldiers used on patrol. Such was the chaos of reconstruction planning that apparently no one within the American or Iraqi hierarchies had, in the year and a half since occupation, thought to make use of this material.

At about the time Stoffel was negotiating with Sarraf, CPA administrator Paul Bremer was handing over effective control of the country to an interim Iraqi government. Though American troops continued to provide the bulk of the security, the United States accelerated its efforts to quickly recruit, train, and equip a new Iraqi police and military and hand over responsibility for controlling the country and fighting the insurgency. Donald Rumsfeld called it the U.S. "victory strategy." But it was a strategy that required the Iraqi military to be armed with heavy weaponry it in fact didn't have.

The man in charge of implementing that strategy was Lt. Gen. David Petraeus, who led the 101st Airborne Division's drive to Baghdad and now runs the Multinational Security Transition Command-Iraq, or MNSTC-I. In Iraq, it is phonetically referred to as "Minsticky." One of Petraeus's priorities at Minsticky was to better arm Iraq's small military, which was woefully under-equipped to deal with terrorists and insurgents. Iraqi patrols were being ambushed and shot *en masse*, recruiting posts ambushed and bombed. Iraqi troops armed with Soviet-era rifles often worked from pickup trucks. With heavy armor, tanks, and protected trucks, military experts say, these troops might have been better able to stand up to the insurgents.

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Moreover, the tanks and armored vehicles would have provided a potent symbol to Iraqi citizens, insurgents, and potential army recruits alike that the new army was able to stand with strength in the face of the attacks, not flee in terror. "Other than training the troops, I can't think of a more critical thing to have done than providing armor for their vehicles," notes Michael O'Hanlon, a military expert at the Brookings Institution.

Sarraf took Stoffel's idea to Iraq's Minister of Defense, and he signed a contract that would pay Wye Oak $24.7 million to refurbish three battalions worth of armored vehicles.

It must have felt to Stoffel like a fantasy come true. He was now an integrated part of the U.S. "victory strategy" in Iraq, with tens of millions in profits to boot. Faced with one of their most important projects in Iraq, the U.S. military had turned to him.

A cultural misunderstanding

The first phase, according to Col. David Styles, a coalition advisor to the project, was "to refurbish vehicles and rebuild a tank maintenance depot." Under the plan, Styles said, Stoffel's company would bring 40 armored personnel carriers from an old Iraqi military fortress to the Taji base and then paint them, fix the engines, and get them primed for war. The tanks were in pretty bad shape: Stoffel's task was like taking a fleet of 1970s police cars that had been held in mothballs and trying to get them ready to patrol the streets. Stoffel's Iraqi mechanics were forced to cannibalize what couldn't be repaired. "For every one vehicle we were going to refurbish," Styles told me, "we had at least two, sometimes four, vehicles that we could pull parts off of."

And that's where the trouble started. The Ministry told Stoffel his invoices were inexact and demanded that he accept payment not directly from the Ministry but through a private intermediary—a financier, or "bank guarantor." The intermediary's name was Raymond Zayna, a cultured, suave French-Lebanese businessman with a company called General Investment Group.

American and British officials were confused by the arrangement; one British general told me he was "dissatisfied." But Styles says the Ministry insisted on having a financier handle the funds "as a check and balance for a large contract." He insists that differences over the contract are largely a result of cultural misunderstandings. "It's an Eastern, Arabic, Islamic way of business that is different than a western, Judeo-Christian way of business," Styles told me. "That does not mean it's corrupt." In any event, Stoffel signed over a limited power of attorney to Zayna, who was to provide "all financial services with respect to the.... Contract when and as requested by Wye Oak."

In October, the Iraqi Ministry of Defense disbursed the $24.7 million to Zayna. In a written statement sent to *The Washington Monthly* by a source close to Zayna, the source said that Zayna put the money in a trust account in an international bank in Lebanon; he won't say which one. The source says Zayna obtained a "bank guarantee," which was required by the Iraqi government. But the end result was that, even though Wye Oak had originally signed a contract with the Ministry of Defense, it wasn't getting paid. Though Zayna himself had spent a small amount (less than a million dollars) to buy Stoffel supplies such as paint, the Lebanese financier did not distribute any money to Stoffel's company.

(The source close to Zayna disputes some other details of this account. The source says Zayna met Stoffel socially, and it was the American contractor who brought the Lebanese financier into the project, not the Ministry of Defense. Additionally, the source says, Zayna was not acting as a broker; instead, he was working together with Stoffel on the contract in a joint venture. Zayna's associate also says that Stoffel had made "extraordinary and outlandish demands for immediate payments of cash" to which he wasn't entitled.)

Stoffel felt betrayed. He had come up with the idea for the project and been awarded the contract by the Ministry of Defense. At least one top Coalition aide working directly with the Ministry felt the same way. "I felt Stoffel had done work he hadn't been paid for," he said.

The fruits of all Stoffel's efforts in Baghdad, tantalizingly close, were now slipping from his grasp. His team was still shipping and refitting tanks and personnel carriers, but in mid-November a frustrated Stoffel flew back to the United States to try to shake the trees. After all, he still had friends and access in Washington.

Heads will roll

On his return to the nation's capital, Stoffel quickly met with aides to Sen. Rick Santorum (R-Pa.), who is not only a senator from Stoffel's home state but one of K Street's strongest allies on Capitol Hill. Santorum fired off a letter on Dec. 3, to Defense Secretary Rumsfeld asking the Pentagon to raise the issue of Stoffel's contract with the Iraqi Minister of Defense. Stoffel, who had cut his ties with Charles Black's BKSH when he broke with Chalabi, went to another lobbyist he had on contract—the connected Republican insider Pat Templeton. Templeton got Stoffel a meeting with Deputy Undersecretary of Defense John Shaw, who knew the lobbyist because they both belonged to the posh Metropolitan Club down the street from the White House. Shaw was an odd man to go to with such complaints because he himself was in the middle of a bizarre ethical storm, having made allegations of bribery against other U.S. officials in Iraq, which subsequent investigations found to be unsubstantiated. During their meeting, Shaw assured Stoffel he would

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do what he could to help Wye Oak. But, as it turned out, that wasn't much: Because of the scandal, Shaw lost his job a week after the meeting.

Meanwhile Stoffel, as the *Los Angeles Times* has reported in a series of stories about his project and death, sent streams of aggressive emails to his contacts in Iraq, including Col. Styles. "If we proceed down the road that we are currently on," he wrote on Nov. 30, "there will be serious legal issues that will land us all in jail. There is no oversight of the money and if/when something goes wrong, regardless of how clean our hands are, heads will roll and it will be the heads of those that are reachable, and the people who are suppose[d] to know better (US - citizens, military, etc.)."

Stoffel told associates both in Iraq and in Washington that he had been asked for kickbacks by Ministry officials, and that he'd refused to pay them. (Sarraf, the Ministry of Defense official, said in a written statement to *The Washington Monthly* that no one at the Ministry would have made such a demand.) Col. Styles read the email to Raymond Zayna. "I didn't see any corruption," he insists.

A few days later, on Dec. 2, Stoffel was "invited-slash-ordered" back to Iraq by the Coalition military, according to his associates; American and British soldiers didn't want Stoffel's project to lapse. Stoffel left his Pennsylvania home for the airport that evening and, on Dec. 5, was in a conference room in the Green Zone with Raymond Zayna and a bevy of coalition and Iraqi officials.

On the same day, insurgents in Tikrit gunned down 17 Iraqis who were traveling by bus to their jobs at a military base; three Turkish truckers and four members of Iraq's security services were killed in several other attacks. Meanwhile, the country's interim president announced absurdly on U.S. television that American troops could start to leave within "six months, or eight months, or a year."

But in that meeting in the Green Zone, the issue was money. Stoffel yelled at Zayna, Styles recalls; Zayna yelled back. According to Styles, a British general on Petraeus's staff asked them to calm down, and Zayna and a Ministry of Defense official eventually agreed to make an initial payment of $4.7 million to Stoffel, as soon as he provided more detailed invoices.

After the meeting, Stoffel called home to the States and sounded euphoric. "He left me a voicemail message on my phone," says one associate, "in which he was exuberant. Everything was solved."

Styles recalls that Stoffel then traveled the 15 miles to the Taji base, to prepare his invoices and itemize the bills. He stayed for three days. On Dec. 7, Styles says: "He spent part of the day with me at the recovered enemy weapons site looking at pistols and rifles." The next day, Stoffel got into his black, unarmored BMW wagon with Joe Wemple in the driver's seat, and started back to Baghdad. Styles says he was expecting to meet Zayna, go over some paperwork, and then meet with Ministry of Defense officials the following day. Stoffel told the colonel, "You know, I think everything is okay."

"CIA shadow manager"

Just weeks after the bodies of Stoffel and Wemple were found, a then-unknown group calling itself Jihad Brigades claimed credit for the killings. A few months later, another group calling itself Rafidan, the Political Council of the Mujahideen, celebrated the killing of "the devil Stoffel," who it called a "CIA shadow manager" who had conspired with Chalabi and others to siphon off Iraq's riches. In a video, a man with his face concealed announced in Arabic that "it is the biggest crime that has ever been committed through the ages and wars." Stoffel, he said, "was killed on the 8th of December 2004 after close monitoring of our moles on [sic] the hands of the Islamic Jihad Brigades."

But among Stoffel's friends and associates, other theories circulate. Stoffel could have been killed over the tank contract, they claim, because he was threatening to blow the whistle on corruption. Stoffel's lawyer, John Quinn, says there should be an investigation as to whether the murder was "related to his business." The evidence may be circumstantial, but, Quinn suggests, the timing of Stoffel's death—just as he believed he had resolved a disagreement with Ministry of Defense officials involving millions of dollars—may not be a coincidence.

Col. David Styles, now posted at Fort Hood, Texas, says that two FBI agents came to see him in April, asking questions about Stoffel's death. "They said they were investigating his death," he says. "They wanted to know if I thought it could have been an assassination." He told them he believed the killing had been random, but "anything's possible."

Stoffel's bullet-ridden body ended up in a Baghdad morgue. Officials there notified the American military, and the body was flown back to Dover Air Force Base in Delaware where military doctors conducted an autopsy, before being delivered to his wife in Monongahela, Pa. On Dec. 18, in a ceremony with full military honors, Stoffel was buried in the cemetery of his family's church in a handsome brown casket; two brothers and his pastor spoke at the funeral. Gen. Petraeus sent Stoffel's widow and four children a letter of condolence.

"It was Dale's last big hurrah in the arms dealing business," a close relative of Stoffel's said. "It's a difficult business to be in. Most of the people in that line of work end up like he did."

Meanwhile, Raymond Zayna took over Wye Oak's contract to build a mechanized brigade from Saddam's scrap. Ahmed Chalabi recast himself as an anti-American hero and won control of the Finance Ministry, with dominion over all of the country's oil wells. And Iraq plunged into another spasm of violent killing. ◆

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The UN's Role In Nation-Building

From the Congo to Iraq

James Dobbins, Seth G. Jones, Keith Crane, Andrew Rathmell,
Brett Steele, Richard Teltschik, Anga Timilsina

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Crude Awakening

The best hope for meeting growing world demand for oil, say experts, is to tap Saudi Arabia's reserves. A Bush advisor on energy says those reserves don't exist.

By Kevin Drum

As recently as a few years ago, only two groups of people were interested in the arid subject of oil depletion. The first was Texas oil moguls and their lobbyists who roamed the halls of Congress searching out ever juicier tax breaks from our elected representatives. The second was a tiny group of cranks and conspiracy theorists who not only wrote for *Scientific American* but also frequented the sparsely inhabited corners of the Internet and begged the world to pay attention to the obscure topic of "peak oil"—whether the world wanted to pay attention or not. Fast forward to 2005, and the oil moguls haven't changed much. The peak oil cranks, on the other hand, are cranks no longer. In fact, they've practically become rock stars. Half a dozen books on the subject have come out in the last two years, and magazines from *Rolling Stone* to *National Geographic* also have published articles on the subject. The "end of oil" is suddenly a hot topic.

It's not hard to understand the change. As the 1990s came to a close, the world was awash in oil. Oil company executives counted themselves lucky to get 10 bucks for a barrel of crude oil, and analysts were predicting that even this price might be cut in half. Forever. When former oil executive Colin Campbell, the dean of the peak oil doomsayers, warned that the end of cheap oil was only a few years away, he was easy to dismiss. After all, hadn't he said the same thing five years before? And five years before that?

More generally, we could consider the consistently dismal track record of other resource pessimists. Didn't professional doomsayer Paul Ehrlich make a bet with economist Julian Simon in 1980 that the prices of five different metals would rise over the next decade? And wasn't he forced to pay off Simon in 1990 as steadily increasing supplies combined with more efficient manufacturing techniques had cut prices in half? Yes and yes.

Today, though, things look very different. Royal Dutch Shell shocked investors last year when it unexpectedly announced that it was slashing its estimate of proven reserves by 20 percent. The price of oil has climbed dramatically since 9/11, passing $50 per barrel for the first time since the Ayatollah Khomeini touched off the world's last oil shock in 1979. At the same time, the demand for oil continues to rise inexorably, fueled by ever bigger SUVs in the United States and steadily growing appetites for Western standards of living in China and India. More than a few mainstream analysts believe that oil prices could hit $100 per barrel in the next several years.

None of this comes because we're literally running out of oil. Everyone agrees that there's still plenty left. Rather, the theory of peak oil derives from a simpler but less widely understood question: How fast can the stuff be pumped out of the ground? Right now, the world consumes oil at the rate of about 84 million barrels per day (bpd), and that's the number which matters. If the world's oil suppliers can continue to increase this production rate as demand grows, the global economy is in good shape. If they can't, we're in trouble no matter how many barrels of crude oil are lying under the ground.

Concern with production rates is neither new nor

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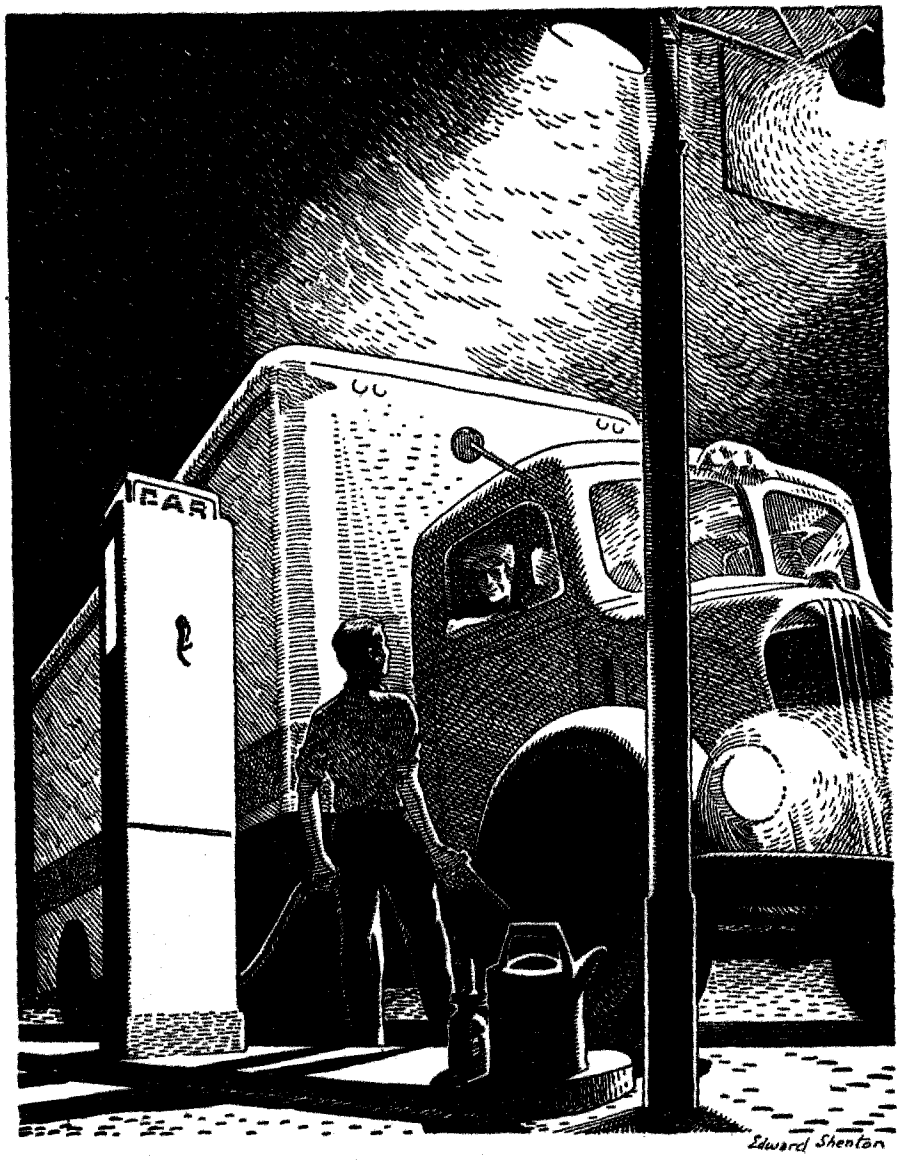

declined more gradually since 1970 than predicted, but it's declined nonetheless. Thirty-five years ago, the continental United States produced 9.4 million bpd of crude; today, it produces only about 4.7 million. Nor is this phenomenon unique to the continental United States; most oil fields peak and decline in the same way. Prudhoe Bay peaked in 1989. The North Sea peaked in 1999. China's massive Daqing field probably peaked a year or two ago. They're all still producing oil, but they produce less and less every year.

No less an authority than that legendary curmudgeon-cum-oil magnate T. Boone Pickens thinks this is clear evidence that world oil production has *already* peaked. "Global oil [production] is 84 million barrels [per day]," he told a conference of alternative-fuel advocates in May. "I don't believe you can get it any more than 84 million barrels. I don't care what Abdullah, Putin, or anybody else says about oil reserves or production. I think they are on decline in the biggest oil fields in the world today, and I know what it's like once you turn the corner and start declining. It's a treadmill that you just can't keep up with."

especially controversial. In fact, it was first raised by M. King Hubbert, a Shell Oil geophysicist, over 50 years ago. In a now-famous paper written in 1956, Hubbert suggested that production rates for oil (and other fossil fuels) follow a bell curve: In new fields, clean, highly pressurized oil flows abundantly to the surface, and as new wells are drilled, production rates rise steadily. After about half the oil has been extracted, however, production rates start to go down. There's still oil left, but declining pressure, exhaustion of the best oil pockets, and increasing contamination bring it to the surface ever more slowly. Applying this production model to the entire United States, taking into account the rate at which new fields were being discovered, Hubbert predicted that oil production in the lower 48 states would peak around 1970 and then start declining.

Hubbert was roundly ignored at the time, but in fact oil production in the continental United States peaked in 1970, right around when he said it would. Thanks to new extraction technologies introduced since Hubbert's original paper was written, production has

Pickens's view is typically colorful, but it's not shared by everyone. Hard data is surprisingly rare in the oil industry, and production forecasts range all over the map, but if forced at gunpoint to provide a firm answer, most mainstream analysts would probably hazard a guess that oil production will peak in 10 or 15 years at around 100 million bpd. The problem is that when such forecasts are broken down, they start to look decidedly shaky. Where are we going to come up with 16 million bpd of new production?

To begin with, oil is found only in certain specific types of geological formations, and we already know where they all are. And while it's true that there are still many of these formations left to explore, recent history suggests that most will produce only modest amounts of oil. Of the hot prospects of the '90s, for example, probably only Kazakhstan's fields have lived up to expecta-

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Saudi claims of proven reserves have increased steadily since 1980, but most analysts agree that these numbers have been manipulated upward for political reasons and bear little relations to reality.

tions, while fields in the Gulf of Mexico and the Caspian Sea have been disappointments. Despite the marriage of huge amounts of money with the finest available advanced technology, it's likely we've already found most of the world's truly big oil fields. The rate at which new oil is discovered has been dropping steadily for four decades, and there's no good reason to think that's going to suddenly turn around in future decades.

The same is true of other prospects touted for the future. There might be lots of oil in the Arctic or in the deepwater off the coasts of Africa. There are also tar sands in Canada and heavy oil in Venezuela. But even if they pan out, projects like these take years—or decades—to develop, are likely to produce at modest rates, and, in the end, will do little more than replace declines from older fields elsewhere in the world anyway. We're still looking for 16 million bpd of new oil.

For that, we have to look toward the Middle East. But if you dig around in the details, it turns out that prospects there are surprisingly thin as well—except in one place: Saudi Arabia. In fact, widely respected oil projections share a common feature: They assume that Saudi Arabia, which today produces about 10 million bpd of oil, will be able to double its oil production over the next decade or two.

This is the elephant in the room, and it's something that nearly everyone agrees on. If Saudi Arabia can't double its output, there's not much hope that worldwide oil production can increase very much either. In the end, it turns out that everything hinges on Saudi Arabia.

The problem is that projecting the capacity of Saudi oil production is a tough nut. Ever since the Saudis took control of their national oil company, Aramco, from Western oil companies in 1980, a shroud has dropped over every facet of the kingdom's oil industry. The Saudis release no official data on how their aging fields are holding up, or how well their exploration efforts are going, and their published production totals may not be credible, let alone how much they will be producing a decade from now. As with most OPEC members, Saudi claims of proven reserves have increased steadily since 1980, but most analysts agree that these numbers have been manipulated upward for political reasons related to OPEC production quotas and bear little relation to reality. For oil industry experts, Saudi Arabia is a gigantic black hole, a target of guesswork, not analysis.

After 9/11, however, things began to change. Reeling from American revulsion at the discovery that 15 Saudi nationals led by the son of a Saudi billionaire had carried out the attacks, Saudi officials began a charm offensive. In an effort to demonstrate their *bona fides* as a reliable—and necessary—American ally, the Saudi oil ministry began inviting oil analysts over for tours of its facilities. And although they hardly became models of transparency, they *did* start releasing more detailed production data than they had in the past.

In retrospect, this effort may someday be viewed as one of the most disastrous PR campaigns in history. Far from reassuring everybody, a closer look at the Saudi oil industry caused some analysts to lose hope altogether. In *The End of Oil*, published last year, Paul Roberts recounted his visit to Saudi Arabia: "I was standing on a sand dune in Saudi Arabia's 'Empty Quarter,' the vast, rust-red desert where one-quarter of the world's oil is found, when I lost my faith in the modern energy economy."

Peculiar as it sounds, Roberts's problem wasn't with Saudi Arabia's oil, it was with Saudi Arabia's water. In most large oil fields, including all of Saudi Arabia's, oil is forced to the surface by the natural pressure of the reservoir itself. In order to keep this pressure up as more and more oil is extracted, water is injected back into the reservoir.

This standard part of oil field maintenance still carries a cost: Eventually the injected water seeps into the oil itself, and the stuff that makes it to the surface becomes increasingly contaminated. That's perfectly normal, but what prompted Roberts's dismay was the discovery that at Saudi Arabia's Ghawar field, the biggest oil field in the world, the percentage of water mixed in with the oil is now 30 percent. That's a dangerously high level.

Another analyst who made the post-9/11 pilgrimage to Saudi Arabia was Matthew Simmons, an advisor to Dick Cheney's energy task force and a one time contributor to George Bush's energy plan during the 2000 campaign. An investment banker who has specialized in the energy industry for 30 years, Simmons visited Saudi Arabia for six days in 2003 as part of a U.S. energy delegation and, like Roberts, came away skeptical. Could Saudi Arabia really double its production rate over the next decade? For that matter, could it increase its production rate at all? Or had Saudi production already peaked?

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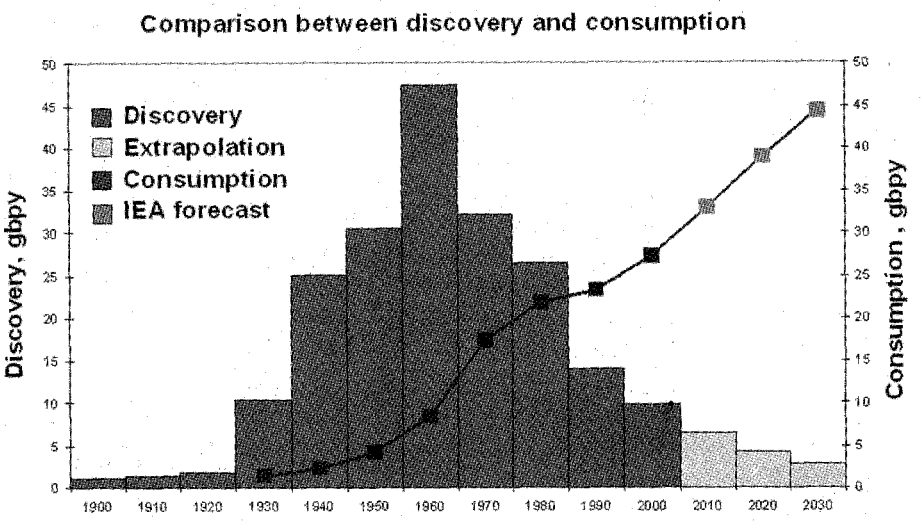

Discovery of new conventional oil sources peaked in 1962 and has declined steadily since then. Fields discovered in the past decade added a total production potential of only 10 billion barrels per year, the equivalent of 27 million barrels per day. However, over the same time period, production from existing fields has declined, and consumption has increased to 84 million barrels per day.

His interest piqued, Simmons turned to perhaps the most honest available resource about Saudi Arabia's oil industry: The over 200 technical papers written since 1961 by Aramco (and then Saudi Aramco) engineers and managers and published by the Society of Petroleum Engineers in Richardson, Texas. Simmons admits that this is a very small keyhole through which to peer in order to estimate the true state of the Saudi oil industry, sort of like trying to decode Linear B from only a couple of slabs. Still, he is convinced that the reports, especially the more recent ones on which he primarily relied, present a consistently disturbing picture. The result of his analysis is *Twilight in the Desert*, whose title summarizes his conclusion: He thinks Saudi oil production—and therefore world oil production—is in a lot more trouble than anyone is letting on.

Once again, water is at the core of the critique. Of Saudi Arabia's 10 million bpd of oil, about 90 percent comes from a mere seven giant fields, all of them old. Ghawar, a uniquely gigantic field which all by itself accounts for more than half of Saudi Arabia's output, has been in production since 1951. A massive water injection program was begun in the early '60s, and today more than 7 million barrels of seawater are required daily to keep Ghawar going. Even at that, though, the best evidence indicates that Ghawar's production may have already begun declining.

Simmons presents a considerable amount of engineering evidence to back up his contention that Ghawar's best days are drawing to a close—and then, just as the lay reader is ready to scream for mercy, does the same in minute detail for Saudi Arabia's other major fields. In fact, *Twilight in the Desert* is more monograph than book, a detailed and technical assessment that's heavy on references to permeability (delightfully measured in millidarcies), the Arab D geological formation, rock homogeneity, oil-water contact planes (Ghawar's being mysteriously tilted), reservoir fractures, and more.

Fundamentally, though, Simmons's argument can be broken into two parts. The first and most detailed is a contention that Saudi Arabia's mainstay oil fields may have already passed their production peaks and are unlikely to ever supply more oil than they produce right now.

The standard response to this argument is that new technologies are allowing us to extract ever increasing ratios of oil from aging fields, but, in a clever bit of rhetorical jujitsu, Simmons stands this argument on its head. Saudi Aramco, he writes, is *already* using the most sophisticated technology in the world. Vertical wells are less and less common, replaced years ago by more efficient horizontal wells and more recently by even more efficient Maximum Reservoir Contact wells designed to suck the last possible drop out of aging oil pockets. Geosteering, 3-D seismic imaging, and increasing use of downhole intelligence are routine. Saudi technicians have a computer complex so sophisticated, they can literally stand in a room wearing special glasses and get a three dimensional view of reservoirs over a mile underground.

In other words, there remains nothing to try. The best technology known to man has already been put to use all over Saudi Arabia in an increasingly desperate attempt merely to keep production steady at 10 million bpd. In the vernacular of the oil industry, Saudi oil fields have been in "secondary recovery" mode for years, and long experience elsewhere in the world has already taught us the limits of the advanced extraction technologies now being used in Saudi Arabia. They can mitigate production declines *after* a field peaks, but they can't stave off the peak itself. More money and more technology won't bail us out here. We're up against geological limits, not financial ones.

The second part of Simmons's argument concerns exploration for new sources of oil in Saudi Arabia. Contrary to conventional wisdom, which assumes that Saudi Arabia is a vast expanse of desert that has only been lightly explored, Simmons presents considerable evidence to indicate that, in fact, almost every square mile has been mapped with the most sophisticated available modern tools—but with little return. In recent years, only one major field has been discovered outside the Eastern Province (home to all other major

Chart courtesy of Kjell Aleklett

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More money and more technology won't bail us out here. We're up against geological limits, not financial ones.

Saudi oil fields), and its performance has been problematic. The possibility of finding major new fields outside the Eastern Province looks considerably less promising today than it did a couple of decades ago.

Simmons suggests that the Saudis have tacitly acknowledged this reality in their decision to pour most new investment into seeking to revive old fields instead of drilling in new ones. After all, why would Saudi Aramco expend so much effort on expensive attempts to resuscitate aging fields were there any genuinely promising new fields to exploit instead? Simmons concludes: "Unless some great series of exploration miracles occurs soon, the only certainty about Saudi Arabia's oil future is that once its five or six great oil-fields go into steep decline, there is nothing remotely resembling them to take their place."

Against Simmons's arguments are two things. First, he has access to extremely limited information. As he admits, he's trying to connect some very faint dots based solely on scattered technical reports and what little public data exist. Second, the Saudis themselves, who *do* have access to plenty of information, have consistently claimed that they can significantly increase oil production over the medium term—and they've never missed a shipment yet. As the Center for Strategic and International Studies (CSIS) recently put it, Simmons's argument "depends on the Saudi Aramco managers being wrong or covering up massive risks and development problems, and virtually all of the other analysts examining world oil reserves and production potential being wrong about both the size of the world's oil reserves and the ability of modern technology to provide future significant gains in ultimate recovery."

In other words, Simmons's view is very much a minority one, a fact of which Simmons is well aware. Still, if Saddam Hussein was able to fool the world (and perhaps himself) about Iraqi WMD capabilities, it's equally possible that the Saudis are fooling the world (and perhaps themselves) about their production capacities. Indeed, just as Saddam felt that his power in the region depended on the perception that he possessed WMDs, perhaps the Saudis feel that their world influence depends on their reputation as a source of limitless oil.

Simmons himself avoids such speculations, but in other respects, he seems comfortable in his contrarian role. As the CSIS report implies, he is skeptical that magical new technologies that will allow oil companies to substantially reinvigorate old fields outside Saudi Arabia, and he does believe the Saudis themselves are either lying or in serious denial about their own future capacities—and that the rest of the oil industry has lazily taken their assurances at face value for years instead of investigating them closely. He also implicitly puts the question to his skeptics: If the Saudis are so anxious to soothe the world's fears, why don't they produce the detailed field-by-field reports, test-well analyses, and exploration results that would convince everyone they're telling the truth?

For Simmons, this is no idle question. His main fight these days is to push for increased transparency in the oil industry so that independent analysts can rely on more than guesswork to figure out how much oil we have left. It's a good cause as far as it goes, since the almost complete lack of solid information in the oil patch leads different analysts to wildly diverse conclusions. Peak oil doubters, for example, project a world production peak sometime around mid-century, if ever. They note that production has continued to increase for decades despite warnings of decline ever since the first oil embargo. They point out that estimates of world oil reserves have increased since 1980 despite the fact that we've gulped down more than 500 billion barrels of the stuff during that time. And they argue that higher prices will promote additional exploration and more extensive use of costly technology, while making it profitable to develop otherwise remote deep-water and Arctic oil fields.

But a growing number of analysts view these arguments as Pollyannaish at best and obtuse at worst. Yes, production has risen steadily over the past century, but declining oil fields mean this is unlikely to continue in the future. Claimed reserves have increased, but this is due more to political and statistical finagling than to actual new discoveries. And the slowing rate of big new finds combined with the increasing number of disappointments suggests that we shouldn't count on future mother lodes to bail us out. Saudi Arabia really is our last, best hope. If Simmons is right that Saudi Arabia's oil production has peaked, so has the world's.

Still, even the peak oil ideologues who make these arguments can't agree on how close the peak actually is. Princeton professor Kenneth Deffeyes jokingly pinpoints the peak on Thanksgiving 2005, Colin Campbell's latest prediction puts the date around 2007, and other peak oil supporters suggest dates anywhere between last year and 2015. As Simmons and others admit (or perhaps warn ominously), we won't know for sure that oil production has peaked until a year or two after it happens.

Even if the doomsayers are right, solutions are hard to agree on. Market forces will certainly solve part of the

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problem. As prices increase, demand for oil will level out and production will—for a while—increase slightly as it becomes profitable to drill in marginal fields that are currently lying fallow. But this obscures the fact that high prices, as bad as they are for an economy addicted to cheap oil, aren't the worst prospect facing us. The real problem is spare capacity.

Spare capacity is not the same as the possibility of future discovery, which is necessarily speculative and, in any case, won't be on line for years, if ever. Rather, it's pumping capacity that is currently unused but can be turned on immediately if needed in a crisis. Saudi Arabia, for example, was able to open the taps on its wells practically overnight during the 1979 Iranian crisis, and then again in 1991 during the first Gulf War. If that immediate spare capacity hadn't been available, oil prices wouldn't have just spiked, they would have skyrocketed.

But those days are gone. Twenty years ago, OPEC had spare production capacity of about 15 million bpd. A decade ago that had dropped to 5.5 million bpd. By 1990, spare capacity has dropped almost to zero. What this means is that arguments over the exact timing of peak oil are increasingly academic. No matter who's right, what we *can* say with some certainty is that even if oil production continues to grow, it will grow slowly, which means that supply will barely keep up with rising demand.

In other words, it's likely that we're now in a permanent state of near zero spare capacity, which in turn will lead to an increasingly unstable world. As we enter an era in which even Saudi Arabia has no spare capacity to smooth out supply disruptions elsewhere in the world, any blip in supply, whether from political unrest, terrorism, or merely unforeseen natural events, will cause prices to carom wildly. A world with $100 per barrel oil is bad enough, but a world in which a single pipeline meltdown could cause prices to skyrocket to $300 per barrel for a few months and then back down is far worse.

What to do? Any serious policy solution has to be based on four fundamental pillars: increased production, development of alternative fuels, conservation, and increased efficiency. And because these are all very long lead items, the time to start is now. After all, if the peak oil theorists are right, we have only a few years left until oil production peaks and then starts to decline. But even if they're wrong, the peak is still only 10 or 20 years down the road—and instability induced by spare capacity is a looming problem regardless.

So, why hasn't anyone in either party seriously acknowledged the reality of peak oil? It's not because they don't know about it. George Bush is a former oil man, after all. "He tells me to keep speaking out loudly and honestly about our energy situation," Simmons informed a reporter who asked what Bush thought of his recent peak oil warnings, but the all too obvious follow-up—does Bush believe he should *do anything* about it?—was left hanging.

Unfortunately, the answer is all too easy to guess. Among Bush and his Republican allies, energy policy is almost entirely focused on one thing: opening up the Arctic National Wildlife Refuge to drilling. And while acknowledging peak oil might help with that fight, it would also open up a Pandora's box of issues Republicans are desperate to avoid. Conservative orthodoxy on taxes prevents any serious discussion of conservation measures like increased gas taxes, and Republican friendliness to business interests prevents consideration of stronger gas mileage standards for SUVs or federal standards for energy-friendly building codes. Bush and other Republican leaders pay lip service to development of alternative fuels, but serious funding is nowhere to be seen. The energy plan currently on offer from the White House is derided by practically everyone on both right and left as little more than a transparent set of payoffs to Bush administration cronies.

Democrats have their own set of problems. Opposition to drilling in ANWR is almost religious despite the fact that environmental damage to the Arctic wilderness would probably be modest. Increased mileage standards have more support, but auto union opposition keeps them on the back burner. Looming over all these specific policy proposals, however, is an even bigger fear: being tagged as an energy Cassandra. Call it Jimmy Carter-itis: No one wants to follow in the footsteps of the man who wore cardigan sweaters on TV and warned about an era of limits—and turned out to be wrong. Democrats paid for that with 12 years of political exile.

All of which is bad news. Even if we prepare ourselves for the peaking of oil production with a sensible, broad-based energy plan, we'll still be faced with the pain of prices marching relentlessly higher for years to come in order to match demand to steadily diminishing supplies. If we're not prepared, though, the bad news of peak oil becomes potentially catastrophic: An oil shock leading to global recession at best and a long string of resource wars at worst. Given the choice between these two bad alternatives, and the long lead time required to implement any kind of serious energy plan, we'd be well advised to get started now. ◆

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Out to Sea

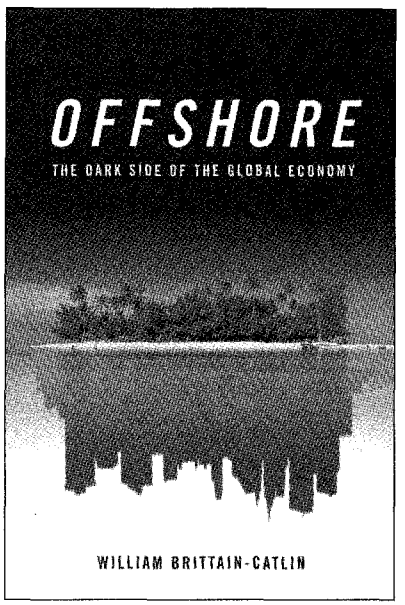
Yes, offshore banking is an outrage. No, it's not a metaphor for capitalism.

By T. A. Frank

If America needs a new enemy, the Cayman Islands might be a refreshing choice. They're dismayingly wealthy, temptingly close by, and, with a population of only 41,000, surely defeatable. Any post-war occupation and reconstruction phase would probably last under 24 hours, including swim breaks.

Luckily, we're also miffed at them. John Kerry singled them out during the 2004 campaign, complaining, "There are enough brass-plate companies down in Georgetown, the Cayman Islands, different places, to make anybody in America sick when they look at their own tax bill." Tax-sheltering aside, there's also a Caymanian coziness with companies that later go bust—according to one investigator looking into Enron, "We found 441 entities set up in the Cayman Islands," most of which were "inactive shells." Even the Islands' essential selling points—tax-free banking, adventurous financial instruments (of the not-legal-in-some-states variety), sweeping secrecy laws—seem to carry the whiff of, well, prison.

Then again, before we summon the destroyers, we should consider that there are worse offenders. Like Nauru. It's the world's smallest independent republic, an unlucky island occupying 8 square miles barely above the Pacific Ocean. When $70 billion disappeared out of Russian banks in 1998,



Offshore: The Dark Side of the Global Economy
By William Brittain-Catlin
Farrar, Straus and Giroux, $25.00

they found their new home in Nauru. Not that anyone could really follow the trail: Nauruan law, at the time, required no recordkeeping for financial transactions (it has since been changed). The Cayman Islands look downright stuffy by comparison.

In other words, the problem is bigger than just the Cayman Islands. Today, over 60 nations currently offer some variation on the no-tax-no-tell banking formula, and, according to the International Monetary Fund, as much as $7 trillion in financial assets are now parked offshore. Secrecy laws in these shelters remain expansive, which means that questionable types can still find cover. As for the effect of such havens on the United States, it is estimated that they cost the Treasury at least $50 billion a year in tax revenue.

But how worried should we really be? Former BBC producer and corporate investigator William Brittain-Catlin offers one answer: very, very. His book *Offshore: The Dark Side of the Global Economy* takes us through the downfalls of Enron, Parmalat, the Bank of Credit and Commerce International, and any number of other unlucky—or simply predatory—entities, showing how each managed to find a friend in the Cayman Islands and the world of offshore finance along the way to ruin. For Brittain-Catlin, this world represents more than financial shenanigans. "The offshore system today," he writes, "is to corporate, private, and criminal wealth what the nineteenth-century interior was to the bourgeois and what the crowd was to the criminal: a cover behind which to hide their traces from modernity, where the criminal is masked as a bourgeois and the bourgeois is unmasked as a criminal."

If that analysis sounds a bit overwrought, it's because it is. Brittain-Catlin has certainly chosen a fascinating and important topic, and *Offshore* contains a lot of remarkable stories of mischief, and, sometimes, even intrepidness. (The Cayman Islands make for an unlikely success story—from a

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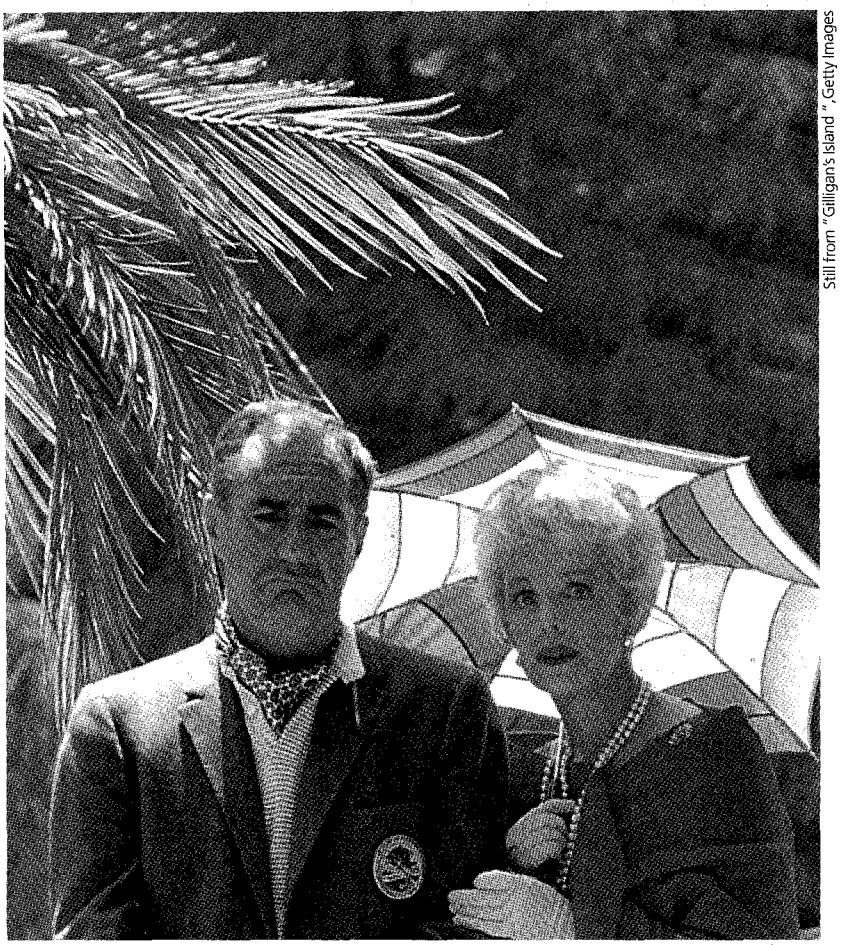
place whose economy not that long ago depended on rope weaving and turtles to the world's fifth-largest financial center.) Overall, however, *Offshore* reads like an ambitious effort that never quite got under control.

The avalanche of material amassed by Brittain-Catlin overwhelms without making a clear case. He supplies a history of the Cayman Islands, an account of at least 10 different scandals, an introduction to the state of Delaware, an update on efforts by the Organization for Economic Cooperation and Development (OECD) to tame offshore havens, and a history of philosophy from Rousseau to Kant to Marx. This is not easy stuff to weave together; the difficulty becomes apparent early on. What's more, in an odd literary choice that somewhat defines the book, Brittain-Catlin attempts to apply to the world of offshore finance the theories of the critic and philosopher Walter Benjamin, who killed himself in flight from the Nazis in 1940.

Finance is abstruse; so are Walter Benjamin's writings. Chances are, then, that using one to help explain the other is not going to clarify things for an audience versed in neither. True, juxtaposing complexities gets a decent response in certain sectors of academia—witness Jacques Lacan drawing on the world of high math to assert that the "erectile organ" is "equivalent to the square root of minus one." But when Brittain-Catlin devotes a chapter to tracing Western thought from the Enlightenment until today and attempts to tie the "secret realm" of "the historical bourgeois" to the rise of "offshore freedom and onshore control", some readers may find themselves wishing Thomas Friedman would step in to help by comparing it all to an ice cream cone.

The truth is that Brittain-Catlin's grudge does not really seem to be against offshore financing. He's angry at capitalism, period. The logical question of "So, what are you saying we should do about offshore financing?" is unanswered in the book and, as far as Brittain-Catlin is concerned, unnecessary. "There is little distinction," argues Brittain-Catlin, "between the good and bad use of capital in the global economy." And so there is no answer to the question—at least, not until after the revolution.



Still from "Gilligan's Island", Getty Images

The millionaire and his wife

Meanwhile, we are left to wonder what on earth to do about offshore banking havens, assuming we're planning on hanging on to capitalism for the time being. After all, such places can sometimes have a function that isn't simply mischievous. Who can blame those Argentines who foresaw possible financial unrest and parked their life savings outside of the country before disaster struck in 2001? Or those businesspeople in countries with poor legal systems and unstable banks who choose to conduct their deals through more reliable offshore institutions? But privacy and economic freedom lose their appeal when they also destroy pension funds here at home or give shelter to tax-dodgers and money-launderers. And even the proudest Cato fellow would surely concede that a banking system such as the one that used to exist on Nauru has no constructive role to play outside of growth industries such as the Russian mafia.

In the end, taming the offshore world depends a lot on how much we want to do it. The OECD, of which the United States is a member, can do a lot to increase pressure on uncooperative places that refuse to open their books. The Cayman Islands are already far more cooperative about working with tax investigators than they were a decade ago. Nauru has effectively been put out of business. True, all these improvements may conceal a much larger problem that severely threatens us all. (If so, there's probably a different, better, book in it.) But, for the time being, I can't help thinking that the trouble is manageable. And it's not because I, too, have a bank account in Nauru.

T. A. Frank is a reporter-researcher at *The New Republic*.

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Brain Brew

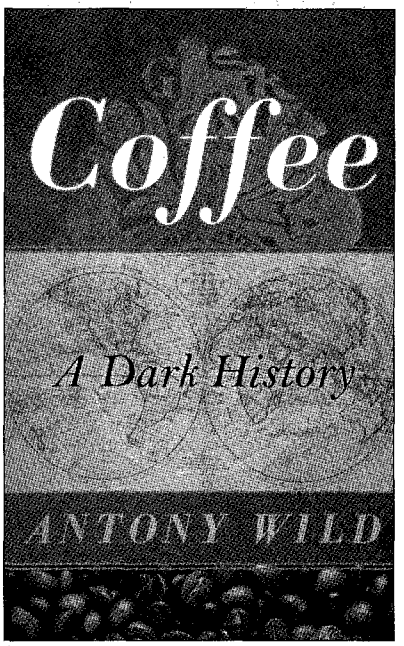
How coffee fueled Voltaire's *Candide*, Newton's theory of gravity, and Juan Valdez's modern woes.

By Brendan I. Koerner

Coffee is the drug that changed my life. Without its brain-perking effects, it's doubtful that I could have passed astronomy in college, read *The Wealth of Nations* cover to cover, or made a favorable first impression on my girlfriend's parents despite suffering from a colossal hangover. In fact, this very review would be immeasurably harder to write were it not for the steaming cup of milk-tinged joe to my laptop's left.

But I seem to have derived less benefit from my addiction than many other habitual caffeine ingesters whom Antony Wild describes in *Coffee: A Dark History*. A British coffee merchant who is credited with introducing specialty brews to his native country, as well as the author of several histories of the East India Company, Wild credits the brew, somewhat outlandishly, with having inspired some proverbial Great Men to create the modern stock exchange, the British insurance house Lloyd's, and London's first organized police force, among other legacies. Without the energizing effects of the native African bean, he argues, the world would be a far more Neanderthal place.

But Wild's chief goal with *Coffee* is laying out how the First World's modern addiction to the drink is wreaking havoc on the poor and powerless. The book's sweeping ambition, if not its politics, is similar to that of several other recent single-topic histories, from *Cod: A Biography of the Fish That Changed the World* to *Mauve: How One Man Invented a Color That Changed the World*, which all promise to prove, in the space of a few hundred pages, that some hitherto overlooked thing in fact played a pivotal role in world history. Though his storytelling and logic could often use refinement, and despite his unfortunate tendency to meander off topic, Wild does conjure up some eye-opening trivia on the coffee manufacturing process, and there is merit to his claim that Third World farmers are facing a raw deal in part because of free trade's unintended consequences.



Coffee: A Dark History
By Antony Wild
W.W.Norton, $25.95

It's unknown exactly who first discovered coffee's sprightliness, but Wild surmises that it was likely a resident of Ethiopia, where the Arabica bush grows wild in the highlands—perhaps a shepherd who noticed his animals skipping about after chowing down on the plant's cherry-like beans. And, in due course, some clever person figured out that roasting the beans over a fire, then brewing them with boiling water, made the process of caffeine-ingestion much more enjoyable. Members of the Sufi sect of Islam were among the most famous adopters of this practice, and, by the 1400s, they had incorporated coffee drinking into their mystical rites. Arab traders, and perhaps a Chinese naval commander or two, soon spread the beverage throughout the Middle East.

Any Ottoman fashion was bound to hit Europe soon enough, and, by the mid-1600s, coffee houses were all the rage in Paris and London where the stimulant helped kickstart the latter-day brain explosion known as the Enlightenment. Wild argues that the creative output of the movement's greatest artists and thinkers might have been significantly less if they'd been fans of sloth-inducing ale instead of energizing coffee. The Royal Society, for example, a group of pals who gathered to slurp coffee and discuss alchemy at an Oxford café named Tillyard's, was later responsible for publishing the works of its chairman, Isaac Newton. The Coffee Club of Rota met in Westminster at the Turk's Head, where luminaries such as Andrew Marvell and Samuel Pepys discussed and promoted new political concepts, including the early adoption of the modern ballot box. In France, meanwhile, Voltaire was reputedly downing between 50 and 72 cups of coffee a day, a habit that many link to the brevity and mania of *Candide*.

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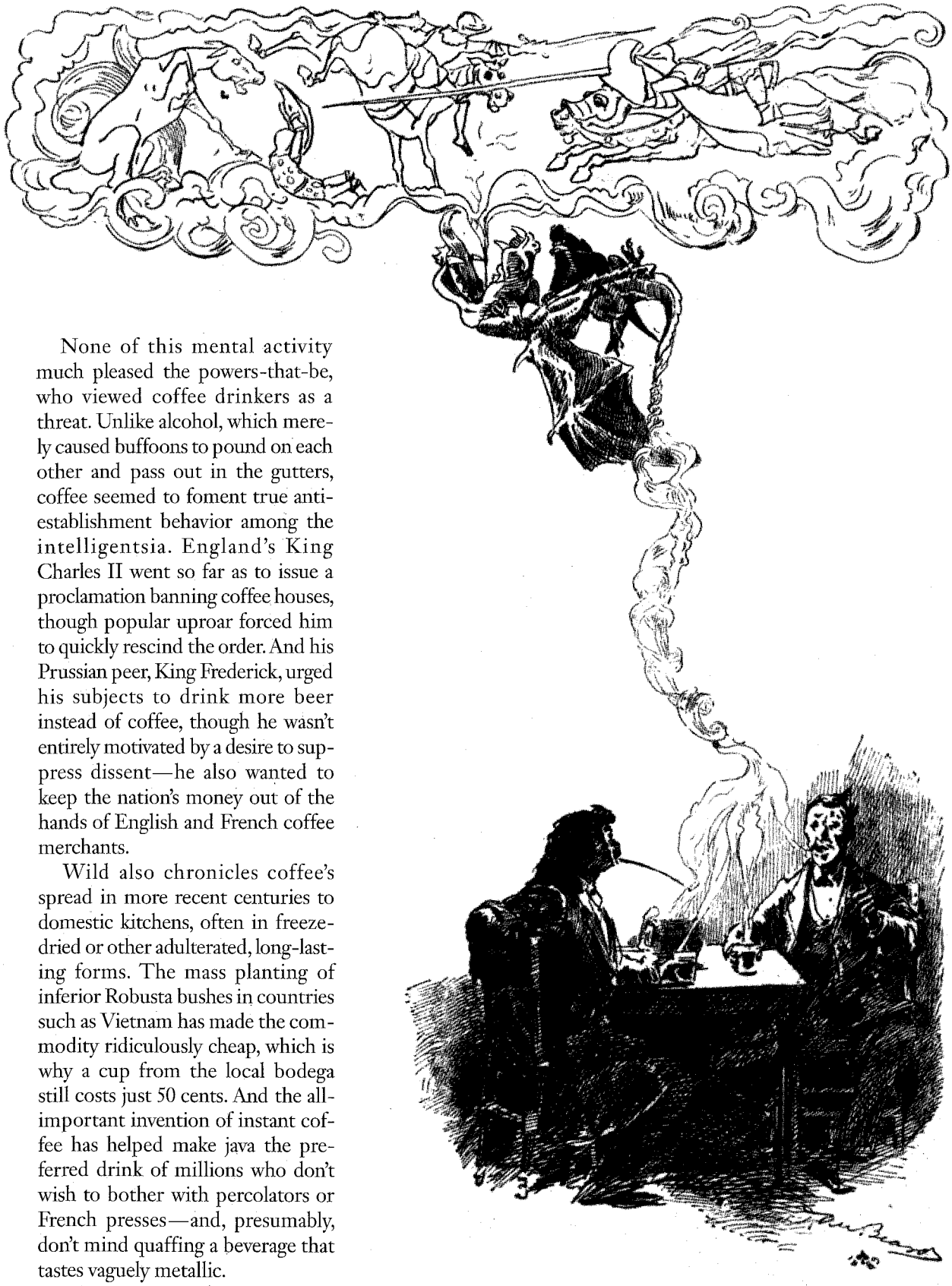

None of this mental activity much pleased the powers-that-be, who viewed coffee drinkers as a threat. Unlike alcohol, which merely caused buffoons to pound on each other and pass out in the gutters, coffee seemed to foment true anti-establishment behavior among the intelligentsia. England's King Charles II went so far as to issue a proclamation banning coffee houses, though popular uproar forced him to quickly rescind the order. And his Prussian peer, King Frederick, urged his subjects to drink more beer instead of coffee, though he wasn't entirely motivated by a desire to suppress dissent—he also wanted to keep the nation's money out of the hands of English and French coffee merchants.

Wild also chronicles coffee's spread in more recent centuries to domestic kitchens, often in freeze-dried or other adulterated, long-lasting forms. The mass planting of inferior Robusta bushes in countries such as Vietnam has made the commodity ridiculously cheap, which is why a cup from the local bodega still costs just 50 cents. And the all-important invention of instant coffee has helped make java the preferred drink of millions who don't wish to bother with percolators or French presses—and, presumably, don't mind quaffing a beverage that tastes vaguely metallic.

The story of coffee's journey from African obscurity to European connoisseurship to worldwide ubiquity shouldn't be a dull one, but Wild's storytelling skills are mediocre at best. Too much of the book's first half reads like a 1950s university textbook, wall-to-wall with the names of people and places that even a memory champion would be hard-pressed to keep in order. Complicating matters is Wild's penchant for unnecessary thoroughness—he'll often put forth a theory as to a particular merchant who might have been responsible for taking Arabica beans to the West, but then he'll step back and admit

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that no real evidence supports that contention.

In a chapter about Napoleon's exile in St. Helena, where coffee has always been a vital crop, Wild informs the reader that he intends to show "how the history of coffee and colonialism evolved together over the last five hundred years to forge an unholy alliance that still exists for the benefit of Western coffee consumers at the expense of the people of the Third World countries." It's an ambitious and admirable goal, but one seemingly too complicated for a writer of Wild's modest literary gifts. The extended chapter on Napoleon's time on the island seems particularly pointless, filled with the minutiae of the deposed emperor's daily routine (which reportedly included drinking two cups of coffee per day). Only the most hardcore of Napoleon aficionados will thrill to the information that their hero spent a good deal of time teaching billiards to a lively teenager named Betsy. Similarly incongruous is a chapter on the French poet Rimbaud, whose tangential connection to coffee is that he made a living dealing it for several years. Though Wild deserves some credit for digging up details on the doomed poet's merchant days in the Middle East, the Rimbaud material doesn't advance the reader's understanding of coffee's role in shaping the world economy.

That is curious, indeed, seeing that one of Wild's main aims in *Coffee* is to explain how, as he writes in the first chapter, "coffee lay at the very heart of the triumph of free-market economics in our times." The irony of that fact, he argues, is that coffee is now bastardized by the free market it made possible in the first place, and the crop's degradation is dragging down millions of Third World farmers in the process. Yet it's not until very late in the book that Wild finally starts dishing the dirt on Starbucks and Nestlé, whom he seemingly regards as only slightly less reprehensible than Idi Amin. He cycles through a laundry list of nations that are dependent on coffee exports, a situation that he largely blames on America's wicked colonialist tendencies.

Wild's big gripe is that corporate middlemen are insensitive to the economic needs of coffee farmers, paying them a pittance for their crops, then jacking up the price to ridiculous levels at the Starbucks counter. The same, of course, could be said about any number of foodstuffs—anyone interested in *Bananas: A Yellow History*?—so there's very little in Wild's ostensible exposé that will shock readers. His argument would have resonated with much more force if the book's focus on coffee were a bit more unwavering, but Wild's rhetoric too often descends into a stock harangue against corporate avarice. Though the book is titled *Coffee*, the drink vanishes for vast stretches, as Wild instead discusses everything from the School of the Americas to Agent Orange to the United States' anti-cocaine efforts—and not with particular lucidity or flair, either.

The constant digressions are a pity, as there is doubtless validity to his claims that the dire circumstances in Colombia or Nicaragua have much to do with Western bullying in the coffee trade. But Wild simply does a poor job of connecting the dots between the crop and the Third World's many woes; he hints, for example, that the Zapatista rebels in Mexico emerged in response to artificially low coffee prices in Chiapas, but he provides neither further explanation nor backstory. And though Wild teases the reader with his insinuations that overzealous Robusta planting has destroyed Vietnam's agriculture, he spends too much space on the war and how it "haunts the American psyche."

The jumble might have made more sense were Wild a reporter, but he is not. There is no evidence in *Coffee* that the author ever inter-

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viewed anyone in these coffee producing nations, let alone an actual coffee farmer. His information on various left-wing bogeymen seems culled entirely from secondhand sources, and not particularly good ones at that. At one point, when an anecdote might have really strengthened his case about the need for Fair Trade coffee, Wild instead conjures up a meandering hypothetical about the fictional Ahab Coffee House.

What's really missing from *Coffee*, perhaps, is any trace of humor, or at least a sense of fun. The single-topic genre is obviously doomed to offer less-than-comprehensive takes on history and the world, a shortcoming that *Cod* and *Mauve* and *How Soccer Explains the World* acknowledge with occasional winks at the reader. But *Coffee* is a serious book from first page to last, and you get the sense that Wild would make for a rather didactic dinner-table companion.

Worse yet, despite his background in the coffee trade, he never once seems to actually like coffee. He spends considerable space excoriating people who deign to like instant coffee, Starbucks coffee, Robusta coffee, espresso, or any number of so-called specialty blends. But he rarely, if ever, expresses an affection for any incarnation of the beverage himself. The overall effect is that Wild comes off as something of a snob, the sort who never stops sniffing at your tastes as well beneath his educated palate.

That's a shame, because *Coffee* is not a terrible book, just a jumbled and blandly written one. The dire circumstances faced by Vietnamese coffee farmers are troubling, indeed, and he sheds some much-needed light on the consequences of Starbucks' coffee-house hegemony. But given how potentially scintillating and explosive *Coffee* could have been, it's disappointing to discover that it requires several strong pots of the black stuff to get you all the way through.

Brendan I. Koerner is a contributing editor at *Wired* and a fellow at the New America Foundation.

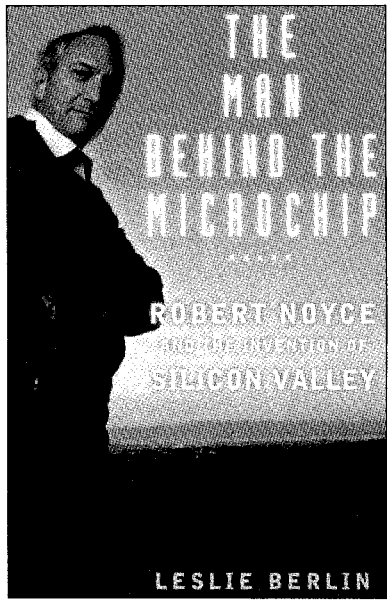
Gates, Schmates

Robert Noyce invented the integrated circuit. Then he invented the culture of Silicon Valley.

By Robert Burnett

When *Time* magazine published its list of the 100 most important people of the 20th century, it predictably inspired parlor games of second-guessing. To my engineer's mind, the "Scientists and Thinkers" category might have included the inventor of the integrated circuit, which created the largest American industry of today and paved the way to the computer revolution. Perhaps there should have been a place within the section "Builders and Titans" for the man who founded both Intel and Fairchild Semiconductor, two of the most influential businesses of the information age. And among the "Leaders and Revolutionaries," they could have included the man most responsible for the creation of Silicon Valley's world-changing community of entrepreneurs and scientists. These omissions would be debatable, rather than inexcusable, were it not for the fact that they were all the same man: Robert Noyce.

Time is not alone in its oversight. Today, Noyce is not considered in the pantheon of household-name technologists such as Gates, Moore, or Jobs. That may be due to the fact that he died in 1990, on the very edge of the decade in which engineers became famous due to their power to make others rich. But in many ways, Noyce and his contributions to the technological, business, and cultural development of Silicon Valley did more to pave the way to this transformation than any other. Noyce, however, has finally received his due credit thanks to a comprehensive and admiring biog-



The Man Behind the Microchip: Robert Noyce and the Invention of Silicon Valley
By Leslie Berlin
Oxford University Press, $30.00

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raphy by Leslie Berlin, *The Man Behind the Microchip: Robert Noyce and the Invention of Silicon Valley.* Hopefully it can restore to proper renown a man once called the Thomas Edison *and* the Henry Ford of Silicon Valley.

Berlin does a fine job uncovering the details of Noyce's childhood and tracing his intellectual development. From an early age, he was distinguished by his ability to translate innovation into reality. He grew up in Iowa, an adventurous kid enamored with elaborate technical projects; when others were building model airplanes, he was constructing a glider that carried him aloft from a neighbor's barn. Explaining to Tom Wolfe in a savvy profile for *Esquire* why he and other guys from small towns became successful engineers in the '50s and '60s, Noyce suggested that necessity forced them to become technicians, tinkers, engineers, and inventors. "In a small town," he told Wolfe, "when something breaks down, you don't wait around for a new part, because it's not coming. You make it yourself." Although certainly competent as a theoretician, Noyce was at heart an experimenter, obsessed with the desire to test his ideas in practice.

After receiving his Ph.D. from MIT, Noyce worked briefly in Philadelphia before accepting an offer to work for electronics pioneer William Shockley in Mountain View, Calif., and soon became the leader of a group building a silicon version of the transistor Shockley had helped invent. Though brilliant, the tyrannical and paranoid Shockley was a notoriously difficult person to work for. Noyce's time with Shockley ended with a failed corporate coup, and his entire group (nicknamed "The Traitorous Eight") left to start Fairchild Semiconductor Corporation. Although Noyce became the general manager, for the first few years, he continued to play a major technical role, engineering breakthroughs in manufacturing and patenting the integrated circuit.

Fairchild Semiconductor was the cornerstone company in the development of Silicon Valley and for years served as an incubator for talented engineers and managers who eventually left to start their own companies, such as Applied Materials, Signetics, and LSI Logic. But because Fairchild Semiconductor was a subsidiary of Fairchild Camera and Instrument, an East-Coast company mired in traditional corporate culture, the semiconductor division was never able to operate as Noyce envisioned it. Finally abandoning his quest to reform the mother company, Noyce resigned in June 1968 to start Intel with his long-time partner Gordon Moore.

Noyce's charisma made him an inspiring leader, but he fell short on the day-to-day responsibilities of managing a growing company. Fairchild and Intel's former chief counsel explained to Berlin that "Noyce's idea of planning was to yell, 'Let's take the hill!'" Moved by his passionate call to arms, his troops would begin running behind him with a shared sense of direction and purpose but unsure of their individual responsibilities. Noyce quickly ran up against the limits of that kind of management and resigned as president in 1975, handing over the reins to Moore. Noyce continued to be a presence at Intel until his death, but he became more engaged in mentoring and providing seed capital to promising entrepreneurs. One of his most devoted acolytes was none other than Steve Jobs, who relied on Noyce's advice in the formative days of Apple Computer. Thus, Bob Noyce played a major part in each stage of the innovations that resulted in personal computers.

Noyce's achievements as a scientist stand on their own. Berlin writes convincingly that Noyce might rightfully have shared two separate Nobel Prizes for Physics. But, as significant as his technological achievements, Noyce's role in creating the culture of Silicon Valley represents his most far-reaching accomplishment. I believe that history will judge him to be the single most important factor in forming the breakthrough creative environment that came to define this era.

Stanford engineering professor and provost Frederick Terman was the first to recognize the importance of keeping bright Stanford engineering graduates together in community and created a close, symbiotic relationship between the university and nearby technology companies in order to do just that. Shockley drew upon this talent pool when he created his company but didn't have the managerial skill required to put the pieces together. (Others have called Shockley the "Moses" of Silicon Valley in that he led others to the Promised Land but couldn't enter himself.) Noyce, however, understood how to manage smart people. His time working on the East Coast and for Shockley taught him the limits of a hierarchical work culture. In its place, Noyce sought to create an environment where bright people were given every incentive to succeed and every reward when they did. It was Noyce, for instance, who pioneered the use of stock options.

As a manager, Noyce was known for giving competent technologists room to develop their own ideas. Being pushed by Noyce, Berlin writes, meant being "invigorated by a sense [of having] sloughed off all superfluous accretions of conservative thinking and conventional wisdom." The recipient of Noyce's perceptive questioning would leave the conversation feeling "that he could now do what Noyce had somehow convinced him it was possible to do."

Noyce also brought a pragmatism that eluded many of his university-coddled competitors, adopting a "quick and dirty" approach to research that called for moving forward with an idea as soon as a rudimentary test showed

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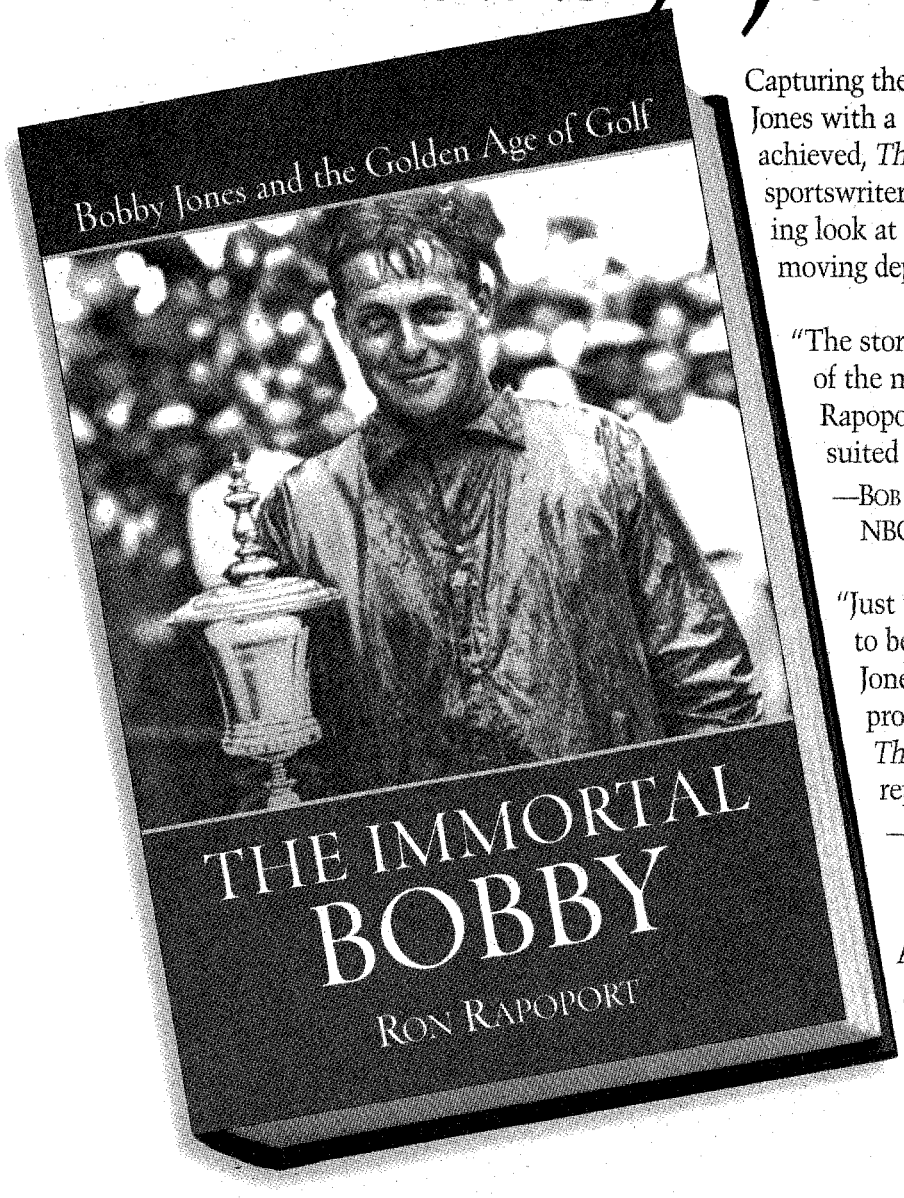
The true story behind the legend of Bobby Jones.



Capturing the story of revered golf giant Bobby Jones with a depth and richness never before achieved, *The Immortal Bobby*, by award-winning sportswriter Ron Rapoport, offers both a penetrating look at the man behind the legend and a moving depiction of a long-gone sporting age.

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—JOHN FEINSTEIN, author of *A Good Walk Spoiled* and *Caddy for Life*

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that it might work. He recognized the value of rapidly introducing products into the marketplace in order to gain market share and understood that this often meant taking calculated risks. New products didn't have to be perfect in order to succeed. In one famous example, Intel shipped its revolutionary 1103 semiconductor memory chip despite its known problems because the company was struggling and needed a quick source of revenue. Bill Gates justly owes the part of his fortune created by selling upgrades of his never-perfected operating system to Noyce.

Noyce had a sensitivity to work culture uncommon to engineers, and he set out consciously to create a climate that maximized productivity. He saw equality as the cornerstone of the new culture; big companies were bad because their size invariably created inequality that frustrated individual initiative. While there might be a distinction between employees because of their productivity, Noyce believed that there should not be artificial barriers because of title or seniority. Noyce sought feedback and believed that every employee should feel empowered and entitled to give his or her frank opinion to everyone else, regardless of their position on the corporate "food chain."

Many of the managerial principles Noyce applied now seem commonsensical, even clichéd. They certainly did not to the Grey Flannel workplace of the '50s. Perhaps that is the greatest testimony to Noyce's achievement. So complete was the revolution he set in motion that the ethos he destroyed is all but forgotten. Hopefully, thanks to Leslie Berlin's thorough and worthy retelling of his life, the same will not be said about Robert Noyce.

Robert Burnett worked in Silicon Valley for more than 20 years and was the first vice president of engineering at Cisco Systems. Since retiring in 1991, he has begun a second career as a writer. He lives in Berkeley, Calif. bobburnett@comcast.net.

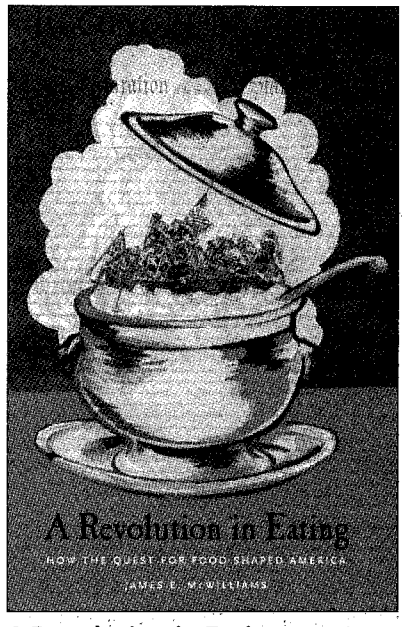
Table Manners

How food choices helped shape culture and politics in nascent America.

By Alan Bjerga

Contemporary Americans who gather produce at the supermarket in the few hours after work might forget that the harvesting and preparing of food was once an almost all-consuming activity for our forebears. But in *A Revolution in Eating: How the Quest for Food Shaped America*, James McWilliams, a historian at Texas State University, explains how food choices shaped cultural and political identities in nascent America. From the Puritans in Plymouth to plantation owners in Virginia, everyone needed to eat, and the ways in which colonists variously went about filling their stomachs had profound consequences. McWilliams argues credibly that decisions about which crops to grow, what was acceptable to eat, and who to trade with to get it accelerated the development not only of regional identities but of the colonists' collective desire to secede from England.

Take the Pilgrims. The settlers who held the first Thanksgiving came to Massachusetts with a goal of self-sufficiency in proper English fashion. They wanted to show those high-church types what clean living and a new world could do for godliness, but they didn't want to grow so foreign that they couldn't be emulated in the old country. Arriving in Plymouth to plant seeds of salvation, they quickly found problems with the soil—namely, that it wouldn't grow wheat, the staple crop of choice for proper English families. Corn was much better suited to New England soil; the Indians seemingly could grow it without any effort, a double affront to an already well-cultivated Protestant work ethic. Building a colony on corn automatically threw the Puritans off their script. In old England, corn was



A Revolution in Eating: How the Quest for Food Shaped America
By James McWilliams
Columbia University Press, $29.95

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Black Listed Cancer Treatment Could Save Your Life

Baltimore, MD— As unbelievable as it seems the key to stopping many cancers has been around for over 30 years. Yet it has been banned. Blocked. And kept out of your medicine cabinet by the very agency designed to protect your health—the FDA.

In 1966, the senior oncologist at a prominent New York hospital rocked the medical world when he developed a serum that **"shrank cancer tumors in 45 minutes!"** 90 minutes later they were gone... Headlines hit every major paper around the world. Scientists and researchers applauded. Time and again this life saving treatment worked miracles, but the FDA ignored the research and hope he brought and shut him down.

You read that right. He was not only shut down—but also forced out of the country where others benefited from his discovery. That was over 39 years ago. How many other treatments have they been allowed to hide? Just as in the case of Dr. Burton's miracle serum these too go unmentioned.

Two-Nutrient Cancer Breakthrough...

Decades ago, European research scientist Dr. Johanna Budwig, a six-time Nobel Award nominee, discovered a totally natural formula that not only protects against the development of cancer, but people all over the world who have been diagnosed with incurable cancer and sent home to die have actually benefited from her research—and now lead normal lives.

After 30 years of study, Dr. Budwig discovered that the blood of seriously ill cancer patients was deficient in certain substances and nutrients. Yet, healthy blood always contained these ingredients. It was the lack of these nutrients that allowed cancer cells to grow wild and out of control.

By simply eating a combination of two natural and delicious foods (found on page 134) not only can cancer be prevented—but in case after case it was actually healed! "Symptoms of cancer, liver dysfunction, and diabetes were completely alleviated." Remarkably, what Dr. Budwig discovered was a totally natural way for eradicating cancer.

However, when she went to publish these results so that everyone could benefit—**she was blocked by manufacturers with heavy financial stakes!** For over 10 years now her methods have proved effective—yet she is denied publication—blocked by the giants who don't want you to read her words.

What's more, the world is full of expert minds like Dr. Budwig who have pursued cancer remedies and come up with remarkable natural formulas and diets that work for hundreds and thousands of patients. *How to Fight Cancer & Win* author William Fischer has studied these methods and revealed their secrets for you—so that you or someone you love may be spared the horrors of conventional cancer treatments.

As early as 1947, Virginia Livingston, M.D., isolated a cancer-causing microbe. She noted that every cancer sample analyzed (whether human or other animal) contained it.

This microbe—a bacteria that is actually in each of us from birth to death—multiplies and promotes cancer when the immune system is weakened by disease, stress, or poor nutrition. Worst of all, the microbes secrete a special hormone protector that short-circuits our body's immune system—allowing the microbes to grow undetected for years. No wonder so many patients are riddled with cancer by the time it is detected. But there is hope even for them...

Six-time Nobel Nominee's Two-Nutrient Cancer Breakthrough Revealed

Turn to page 82 of *How to Fight Cancer & Win* for the delicious diet that can help stop the formation of cancer cells and shrink tumors.

They walked away from traditional cancer treatments...and were healed! Throughout the pages of *How to Fight Cancer & Win* you'll meet real people who were diagnosed with cancer—suffered through harsh conventional treatments—turned their backs on so called modern medicine—only to be miraculously healed by natural means! Here is just a sampling of what others have to say about the book.

"We purchased *How to Fight Cancer & Win*, and immediately my husband started following the recommended diet for his just diagnosed colon cancer. He refused the surgery that our doctors advised. Since following the regime recommended in the book he has had no problems at all, cancer-wise. If not cured, we believe the cancer has to be in remission."
—Thelma B.

"I bought *How to Fight Cancer & Win* and this has to be the greatest book I've ever read. I have had astounding results from the easy to understand knowledge found in this book. My whole life has improved drastically and I have done so much for many others. The information goes far beyond the health thinking of today."
—Hugh M.

"I can't find adequate words to describe my appreciation of your work in providing *How to Fight Cancer & Win*. You had to do an enormous amount of research to bring this vast and most important knowledge to your readers.

My doctor found two tumors on my prostate with a high P.S.A. He scheduled a time to surgically remove the prostate, but I canceled the appointment. Instead I went on the diet discussed in the book combined with another supplement. Over the months my P.S.A. has lowered until the last reading was one point two."
—Duncan M.

"In my 55 years as a Country Family Physician, I have never read a more 'down to earth,' practical resume of cancer prevention and treatments, than in this book. It needs to be studied worldwide for the prevention of cancer by all researchers who are looking for a cure."
—Edward S.,M.D.

"As a cancer patient who has been battling lymphatic cancer on and off for almost three years now, I was very pleased to stumble across *How to Fight Cancer & Win*. The book was inspiring, well-written and packed with useful information for any cancer patient looking to maximize his or her chances for recovery."
—Romany S.

"I've been incorporating Dr. Budwig's natural remedy into my diet and have told others about it. Your book is very informative and has information I've never heard about before (and I've read many books on the cancer and nutrition link). Thanks for the wonderful information."
—Molly G.

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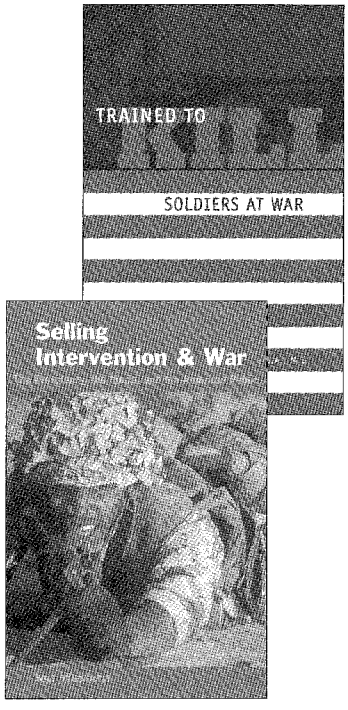

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something fed to pigs, and its New World status as the preferred crop of heathens didn't help matters either. But holiness doesn't stave off starvation, so the Puritans began to grow corn. In time, they even grew to like it. In 1662, colonial leader John Winthrop stood before the Royal Society of London to make the case that corn was completely fit for human consumption and just as good as wheat "like someone today saying that we should eat dog food," McWilliams observes. It's not hard to imagine Winthrop, returning to his colony after a skeptical reception in London, realizing that while his colony served the English crown, it wasn't as English as he had once thought or hoped.

Similar narratives played out in other colonies, though with different outcomes. Homesick New Englanders may have wrestled with how their new diets affected their identities, but Virginians just wanted to make money. Although they had settled in one of the most fertile regions of the colonies, the largely male, largely lower-gentry settlers showed little skill in agriculture. As tombstones in colonial graveyards attest, starvation was common in early Virginia. Jamestown was settled in 1607, but no one bothered to plant a personal garden until 1610. Its colonists preferred instead to secure food through bartering with the native population or, in a few cases, simply eating each other—in one instance a Virginia colonist butchered his own wife, salted her flesh, and grilled her for dinner. In 1616, tobacco was successfully introduced as a cash crop, but it couldn't be eaten. Virginians eventually solved their food shortages in accordance with their own values: They embraced native crops, growing fruit orchards along with corn, and caring less than their northern neighbors about whether England thought they were eating pig food. And they found other people to do farm work—first the natives themselves, then poorer Europeans, and ultimately, slaves.

McWilliams doesn't focus solely on early English settlers. He also turns his gaze to the German and Dutch immigrants of Pennsylvania, who, along with

popularizing scrapple, a German-influenced concoction of pig scraps that used native ingredients, also grew wheat fields that corn-fed New Englanders could only envy. Located between the planters of Virginia and the homesteaders up north, the Pennsylvanians combined the two paths of development. Wheat didn't demand the intense labor that shaped the tobacco slave society, but the land requirements of wheat ensured that not only would Pennsylvania wheat-growers never meet New England standards of self-sufficiency, they would have to move west as their land grew exhausted. The result in Pennsylvania was the development of extensive road networks unmatched in other colonies and the rise of towns like Philadelphia as trade centers.

After establishing the *pluribus*, McWilliams turns toward the *unum* of how food production and trade ultimately bound the colonies together.

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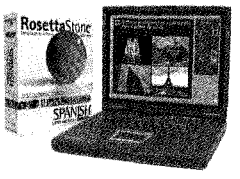

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As is true in many unions, alcohol played a role in establishing connections. The need to transport and trade hard liquor helped spur the growth of inter-colonial commerce in the 18th century. By the 1770s—ironically a period when rising standards of living made Anglophilia fashionable among the prosperous colonial classes—Americans had developed a network of trade that exposed them to their colonial neighbors, reinforced their common identity despite regional differences, and, at the same time, made Britain seem more and more foreign. Local rum was considered better than British imports. "American" cookbooks were coming out. With ties established and bellies full, talk turned toward the need for political—and culinary—independence from the oppressive Brits.

Much of the ground McWilliams tilled has been covered before, but usually either as part of a larger thesis of American development, or in miniature as a journal article on a singular phenomenon. *A Revolution in Eating* does bear some similarities to David Hackett Fischer's *Albion Seed*, but McWilliams's work is both less sweeping in scope (he sticks to cultural-history-through food, rather than cultural-history-through-everything-else) and more inclusive in subject matter (he pays greater attention to non-British communities and colonists' interactions with slaves and Indians). Cuisine is usually treated as an interesting sidebar of American history, and, in the largest sense, that's appropriate: Thomas Jefferson undoubtedly ate while composing the Declaration of Independence, but whether he chose cherries for dessert probably didn't have much effect on his composition. But the fact that Jefferson was a Virginia planter, with lots of leisure time and slaves, did shape his outlook and identity.

McWilliams carefully limits his historical scope to colonial America and doesn't try to overstate his case, acknowledging that the prominent role food choices once played in shaping America history simply isn't the case today. But even in its more conveniently packaged, quicker-to-prepare contemporary form, cuisine remains at least an indicator of culture in the 21st century. If you're afraid of grits, for example, you probably aren't from the South. And if you don't like scrapple? That's OK, it's a Midwest thing—but McWilliams may help you understand.

Alan Bjerga reports from the Washington, DC, bureau of Knight Ridder Newspapers, where he is the correspondent for *The Wichita Eagle*.

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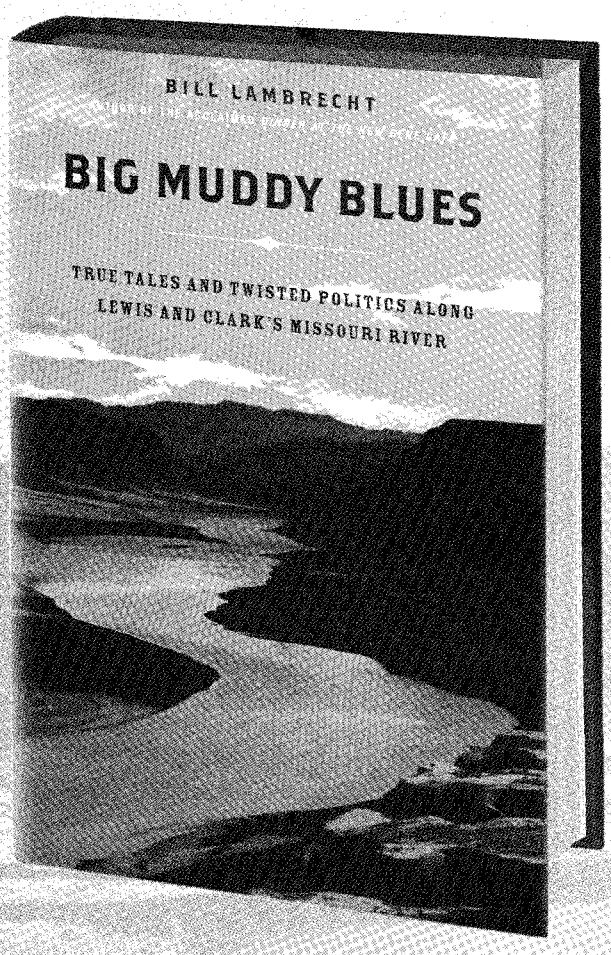

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